Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S. Arabia	Rls 6.00
Belgium	BFr 45	Japan	Y250	Singapore	S$4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	£E1.00	Lebanon	L£6.00	Sweden	SKr 7.00
Finland	Fmk 5.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	Fr 6.00	Malaysia	Ringgit 4.25	Taiwan	NT$65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 0.600
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 250
Hong Kong	HK$12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup 15	Norway	NKr 7.00	U.S.A.	$1.00
		Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,851 — Monday February 10 1986 — D 8523 B

Midland Bank after the Crocker disposal, Page 15

World news

British ministers clash on strategy

British Cabinet ministers clashed openly over the strategy and style of the Conservative Government in its approach to the next general election, further highlighting party divisions in the aftermath of the Westland and BL controversies.

Peter Walker, the Energy Secretary, and Michael Heseltine, the former Defence Secretary, speaking at a Young Conservatives conference in Blackpool, called for radical changes in the Government's approach, while the party chairman, Norman Tebbit, and Foreign Secretary Sir Geoffrey Howe issued strong calls for loyalty to the Prime Minister. Page 18. Editorial comment, Page 14

Haiti riots kill 20

At least 20 people were killed and an estimated 200 were injured in Haiti as the downfall of dictator Jean-Claude Duvalier led to celebrations that turned into rioting and looting. Page 3

Israeli airline alert

Israel took extra security measures and altered civilian airline routes to steer well clear of Libyan and Syrian air space as intelligence officials warned of possible guerrilla actions. Libya threatened to retaliate for Israel's interception last week of a civilian flight from Tripoli to Damascus.

Fighting in Lebanon

Clashes in Beirut and around the mountain stronghold of President Amin Gemayel left at least seven people dead and several wounded. Page 3

Aden leader dead

The former President of South Yemen, Abdul-Fattah Ismail, was fatally wounded at the start of last month's coup, sources close to the Aden Government said. Ismail was said to have been shot by supporters of President Ali Nasser Mohammed, who was later ousted in the fight between rival Marxist factions.

Basque bar attacked

Five people, including a small girl, were wounded when three gunmen fired automatic weapons into a bar in Bayonne, France, that is frequented by Spanish Basque exiles.

Pakistan bombing

A bomb blast set ablaze the offices of the Pakistan-Libya Holding Company in Karachi, resulting in the death of a man who jumped from a fifth-floor window and leaving another eight people injured.

Train deaths mount

Canadian authorities feared the death toll could rise to 50 as rescue crews probed the charred wreckage of a high-speed passenger train that collided with a goods train in the Rocky Mountain foothills west of Edmonton, Alberta.

Rockets miss tanker

Gulf shipping officials said an Iranian military helicopter fired two rockets at a Saudi-chartered Panamanian-flag tanker off Qatar, but missed with both.

Violence in Punjab

Sporadic violence fuelled tension in India's Punjab state as Sikh extremists killed two people, wounded a third and set fire to a railway station.

Church leaders meet

Pope John Paul and the Archbishop of Canterbury met briefly in Bombay. Aides said it was significant in symbolising the quest for eventual unity between the Roman Catholic and Anglican churches. The pontiff was ending a 10-day visit to India; Dr Robert Runcie was beginning a three-week tour.

Hijack widow dies

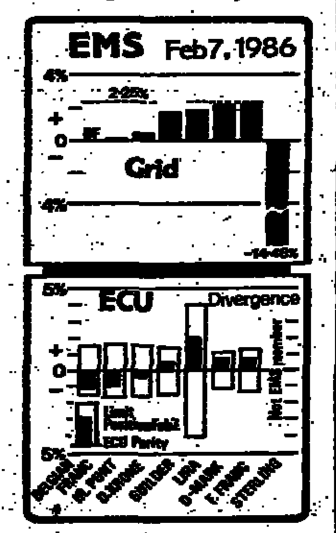
Marilyn Klinghoffer, whose wheelchair-bound husband, Leon, was killed by Palestinian hijackers aboard the Italian cruise ship Achille Lauro in October, died in a New York hospital. A family member said she had cancer.

Business summary

ICI and Enichem plan PVC merger

ENICHEM, Italian chemicals group, and Britain's ICI plan to merge their loss-making polyvinyl chloride (PVC) operations in a deal that would create Europe's largest PVC producer. Page 16

EUROPEAN Monetary System: The Irish punt was trading close to the bottom of the EMS last week despite intervention by the Irish central bank. This included a sharp rise in interest rates to try to stem a flow of funds into sterling. Although weak in the EMS, the punt has risen against a weak pound and



this has prompted a switching of funds, thus creating further pressure. Sterling's attraction is further enhanced by increasing speculation of currency realignment after French elections next month. The Belgian central bank was also active as the Belgian franc shared bottom place with the punt. The D-Mark remained firm but was little changed on the week within the EMS.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

KUWAITI Oil Minister Sheikh Ali Khalifa al-Sabah called on Britain to cut its North Sea output of about 2.6m barrels a day by at least 300,000 b/d. Page 8

SPANISH prices rose 3 per cent in January after the introduction of value-added tax when Spain joined the EEC, but Finance Minister Carlos Solchaga still expects to hold inflation within the 8 per cent target.

LATIN AMERICAN foreign ministers meet in Washington this week to discuss the effect of falling oil prices and the ability of countries to service their external debts.

CEA, the French atomic energy commission, and defence electronics groups Thomson and SAT are setting up a joint company to exploit French technology in infra-red sensing. Page 4

UK MERGERS and acquisitions in 1985 were worth £7.09bn ($9.78bn), 30 per cent up on 1984.

JARDINE MATHESON, the Hong Kong trading group, soon to announce the disposal of the last of its fleet, is likely soon to sell its 35 per cent holding in Hongkong Land, an investement which brought it into severe difficulties. Page 16

CUMMINS ENGINE, the US diesel engine producer, reported a sharp fall in profits to $50.4m as a result of a sudden decline in the heavy-truck market. Page 17

INVESTMENT AB Beijer, the Swedish investment company, increased its profits by 73 per cent to SKr 449m ($59.8m). Profits were boosted by a big jump in capital gains from share sales. Page 17

WELLCOME, the UK international drug company, has had its £250m ($345m) share offer 17 times oversubscribed, far more than Friday's anticipated figure. The £4.5bn subscribed for a quarter of the company was the second largest for a UK private sector issue. Page 20

US aid warning after fraud claim in Philippines poll

BY CHRIS SHERWELL IN MANILA AND STEWART FLEMING IN WASHINGTON

THE PHILIPPINES slid into its deepest crisis in decades last night as a respected international delegation openly accused the ruling party of cheating in Friday's crucial presidential election.

Senator Richard Lugar, the head of the US delegation, warned meanwhile that America could cut economic and military aid to its ally if the outcome of the election was not demonstrably fair.

The cheating accusation, by a delegation representing 19 nations, followed further conflicting claims of victory by President Ferdinand Marcos, who has held power for 20 years, and his challenger, Mrs Corazon Aquino, widow of the murdered opposition leader Benigno Aquino.

It also came in the wake of similar outspoken criticisms of the election by the Roman Catholic Church, and a rallying call by a left-wing grouping for militant mass protests at the "massive fraud and terrorism" which marred the poll.

Adding to the tension were two contradictory vote counts, one by the Commission on Elections (Comelec) showing Mr Marcos ahead, and a second by the National Movement for Free Election (Namfrel), an independent citizens' watchdog, indicating a clear lead for Mrs Aquino.

The developments pose a serious problem for the US, the Philippines closest ally, which previously urged a free and fair election and fears that instability could affect its strategic air and naval bases in the country.

Senator Lugar said yesterday: "The real problem for us is that we want to work with the President, whoever (that) may be, of this country but we want to have some assurances that we are going to move towards efficiency ... or the American people are unlikely to make a commitment in terms of economic and military assistance."

The remarks of the powerful chairman of the Senate Foreign Relations Committee reflect growing concern in the US that violence and chaos could result if the individual who is eventually declared the winner does not clearly have a legitimate mandate.

President Marcos himself, who also gave extensive interviews on two US television networks yesterday, appeared to be preparing to blame his opponent for any post-election violence.

Commenting on reports that Mrs Aquino planned to lead her supporters in demonstrations to protest against the outcome if he won, President Marcos said: "Let them start any violence.. we will let them demonstrate, we will probably counter demonstrate.. we will abide by the constitution." This, he pointed out, provides that parliament should be the ultimate arbiter of the validity of the vote.

Seeking to turn allegations of fraud against his rival, Mr Marcos claimed that the opposition was responsible for any fraud in the vote and claimed he had evidence to support that charge.

But Mr Lugar, asked whether it was safe to say that Mrs Aquino did not have the resources to influence the election illegally, said: "that would certainly be true at this point."

Describing the election as "teetering on the brink of disaster," Mr Lugar issued an extraordinary public appeal to Mr Marcos "to let this count continue – because the procedure for succession in this country – is really crucial to the Philippine people and for US."

Last night's dramatic accusations of cheating came from a 44-member delegation drawn from 19 nations and organised by the Democratic and Republican Institute for International Affairs, based in Washington.

The delegation agreed that it had found irregularities in voter registration, improperly sealed ballot boxes, and ineffective applications

Continued on Page 16

Editorial comment, Page 14

France set to guarantee Nigerian project loan

BY PATTI WALDMEIR AND PETER BLACKBURN IN LAGOS

FRANCE'S export credit agency, Coface, appears set to guarantee a loan of about FFr 2bn ($273m) to help to finance the construction of a $500m oil refinery in Nigeria, to be built by a Franco-Japanese consortium.

According to a senior official of the Nigerian National Petroleum Corporation (NNPC), the state oil company, completion of the financial arrangements for the project is imminent.

A decision by Coface to provide a guarantee for the FFr 2bn French portion of the project's offshore finance is likely to promote deep concern among other European export credit agencies, especially Britain's Export Credits Guarantee Department (ECGD).

It will be seen as a breaking of ranks with the other export agencies, which have suspended medium and long-term cover for Nigeria because of the accumulation of some $2bn in arrears on insured short-term trade debts.

An unwritten understanding has existed between the agencies that no new guarantees will be extended to Nigeria until it agrees on an adjustment programme with the International Monetary Fund (IMF).

Such a deal would pave the way for the rescheduling of the insured trade arrears and to the resumption of export insurance cover for the country.

France is understood to have told its Western partners that Coface had agreed in principle as far back as 1983 to guarantee an export credit for the project, and that the expected signature of a loan agreement for the project should not be considered as a breach of the agencies' united front on the IMF issue.

Industry officials point out that Japan's Ministry of International Trade and Industry has already agreed to guarantee the Japanese portion of the project's offshore finance, a supplier's credit arranged by Marubeni of Japan for about $300m. Japanese officials argue, along the same lines as the French, that a prior agreement existed to cover the credit.

British officials are understood to take a serious view of the expected action by the French, who have made big inroads into the Nigerian market in recent years. Despite its severe economic crisis, Nigeria remains the largest market for European companies in black Africa.

Commercial contracts for the project were signed nearly a year ago between the Nigerians and the Franco-Japanese consortium, led by Japanese Gasoline (in charge of process technology) and France's Spie Batignolles (for the civil works). Some on site work has already begun.

The project will involve the extension of a refinery at Port Harcourt in eastern Nigeria and will add 150,000 barrels a day in refining capacity. That will almost double the country's refining capacity and will allow Nigeria to satisfy local demand for refined products without resorting to the present costly method of paying to have some 50,000 barrels a day processed abroad.

Bulls ignore US profits gloom

BY OUR NEW YORK STAFF

THE CONTRAST between Wall Street's expectations for US companies' performance and recent corporate results has rarely been more evident.

During the past four weeks, as the captains of American industry have rolled out one drab earnings report after another – and some nasty surprises as well – the Dow Jones industrial average has scarcely faltered in an upward march which has added more than 300 points since the final quarter of 1985 began.

It closed on Friday at yet another record high of well over 1,600, just as two more dismal sets of results were released to conclude the corporate earnings season.

TWA, the biggest US transatlantic carrier, reported a 1985 net loss of just under $200m. Minutes earlier TRW, the motor components and aerospace group, announced a $71.1m loss on sales of $5.9bn after major restructuring costs had pushed it into the red for the first time in years.

Wall Street has reacted in the past few months to a series of positive factors, most notably the recent sharp fall in oil prices, that have not yet had time to feed through to the profit-and-loss accounts of the corporate sector. Investors have decided to ignore a disappointing year for US corporate profits.

Although the final tally has still to be taken, initial estimates of corporate earnings last year suggest they fell by about 5 per cent. According to Data Resources, a Massachusetts-based economic research group, US pre-tax corporate profits fell by $11.6bn in 1985 to $226bn.

The profits decline reflected, in part, a sharp deceleration in the pace of US economic expansion as real gross national product (GNP) growth slowed to a paltry 2.3 per cent against 6.9 per cent in 1984.

The strength of the dollar for much of the year, soaring imports and continued high real interest rates put pressure on corporate margins. These constraints were most visible in the first quarter of 1985 when corporate earnings plunged by more than 11 per cent. It was not until the final quarter, as these problems began to wane, that profits moved on to an upward trend.

Wharton Econometrics, the Philadelphia-based forecasting group, says that fourth-quarter profits showed a 20 per cent increase over the third quarter. Wharton, along with many other forecasters, believes this has launched profits on to a new growth path.

Meanwhile, however, US companies have displayed a marked reluctance to endorse Wall Street's bullish mood.

The most striking example of this caution was the statement from IBM, which reported its first annual profit decline since the 1981 recession. Mr John Akers, IBM's chief executive, said: "There is an absence of convincing evidence the North American economy is showing sustained improvement, and we are approaching 1986 with caution."

Even after a 23.4 per cent rise in its fourth-quarter net earnings,

Continued on Page 16

TWA results, Page 19

European tender fails for Westland shares

By Lionel Barber in London

THE EUROPEAN aerospace consortium which has put forward a rescue plan for Westland, the ailing British helicopter manufacturer, is expected to announce today that its tender offer to shareholders has failed.

The failure of the tender offer is a blow to the consortium's efforts to defeat the rival rescue plan – from Sikorsky, the US helicopter maker, and Fiat of Italy – which is favoured by the Westland board.

Westland shareholders are due to vote on this plan, which requires a simple majority, at a meeting in London on Wednesday.

The European consortium comprises British Aerospace and the General Electric Company (GEC) of the UK, Aérospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany and Agusta of Italy. It had hoped that the tender offer of 130p per share would attract enough support from small shareholders to swing Wednesday's vote in its favour as a first step to securing backing for its rival rescue plan.

When the votes were counted on Saturday, it became clear that the tender had failed to draw support from shareholders speaking for 20.2 per cent of Westland's equity, the minimum needed for the offer to take effect.

The consortium is therefore expected to announce in a brief statement today that the tender offer has lapsed. This still leaves the outcome of Wednesday's meeting in the balance.

According to calculations made by the European camp and Sikorsky/Fiat, the two sides are evenly matched. Sikorsky/Fiat speaks for just under 30 per cent of Westland's shares. The Europeans, who can count on the support of Mr Alan Bristow the UK helicopter millionaire (17 per cent), speak for almost 28 per cent.

If the consortium tender offer had succeeded in attracting large numbers of shareholders, then coupled with Mr Bristow's shares it could have spoken for almost 50 per cent of Westland's equity. This would have been enough to sink the Sikorsky/Fiat plan.

The fact that the tender has failed means that the small shareholders have apparently stayed loyal to the Westland board, even at the cost of themselves of refusing cash at an attractive market price. Those shareholders who tendered their shares will not be eligible to vote at Wednesday's meeting unless they exercised their right to lodge proxies in favour or against Sikorsky/Fiat last week.

Botha faces revolt by 'liberal' MPs

BY ANTHONY ROBINSON IN CAPE TOWN

PRESIDENT P.W. Botha of South Africa faces the possibility of an internal revolt against his leadership this week by a group of about 35 MPs from the "liberal" wing of his National Party.

This follow the humiliation last Friday of Mr Pik Botha, his Foreign Minister, and the resignation of Dr Frederik van Zyl Slabbert, leader of the opposition. The President had rebuked Mr Pik Botha for suggestin g that the country could be ruled by a black president. Dr Zyl Slabbert resigned after rejecting the Government's reformist strategy as "another false start."

The credibility of the public relations exercise designed to convince the world that apartheid was dying appears to have been compromised by the President's defence of the group areas system of racial segregation as a non-negotiable element of government policy.

It also appears less likely that moderate black leaders like Chief Gatsha Buthelezi would agree to participate in the President's proposed "national statuory council." This is as a result of the reaffirmation of a political system based on ethnic groups and the blow to the credibility of the tricameral parliamentary system of whites, coloureds and Indians which has been caused by Dr van Zyl Slabbert's resignation.

Despite the turmoil into which South African politics has been thrown by last week's events, backstage manoeuvring for the possible release of Mr Nelson Mandela continued over the weekend. The negotiations are understood to be part of a wider prisoner exchange proposal involving Soviet dissidents.

Mrs Winnie Mandela, wife of the jailed African National Congress leader, yesterday met briefly with Commonwealth officials in Cape Town to prepare for this month's planned visit by the Commonwealth "eminent persons group." Afterwards she drove to Pollsmoor Prison to see her husband.

Dr Allan Boesak, the coloured theologian who is a leading anti-apartheid activist and patron of the United Democratic Front (UDF), also went to Pollsmoor. He later spoke to Mrs Mandela outside the jail. He then accompanied her to Cape Town airport from where she went to Johannesburg.

Dr Alex Boraine, an Opposition Progressive Federal Party (PFP) MP who is a possible successor to Dr van Zyl Slabbert as party leader, told the Financial Times that he and Dr van Zyl Slabbert have been approached several times by National Party MPs dismayed by President Botha's refusal to detail the demise of key apartheid legislation. They were angered also by last Friday's public support in parliament for Mr F.W. de Klerk, the Transvaal Party leader.

The President's support for Mr de Klerk's uncompromising defence of "group politics" was accompanied by a public disavowal of Mr Pik Botha. Foreign correspondents were told by Mr Pik Botha that he would be willing to serve a black president within the context of agreed political structures which protected minority rights.

According to Dr Boraine, the dissident Nationalist MPs told him that between 30 and 40 MPs were very unhappy with the President's speech at the opening of parliament and subsequent developments.

They were not prepared to take their opposition to the point of crossing the House but wanted to discuss "some form of political realigment," he said. Despite their shock at the way Mr Pik Botha was publicly humiliated by the President, they made clear that not all saw him as a suitable leader of the "liberal" or apartheid abolitionist wing of the party.

By siding openly with Mr de Klerk in parliament on Friday, President Botha indicated his personal commitment as leader to the apartheid bedrock of "group right," the code word for continuing white political domination.

He also signalled the belief that the real threat faced by the National Party was of further erosion to the right, not a revolt from the numerically and politically weaker left.

The emergency National Party caucus meeting on Friday was called principally in response to alarm from the centre and right of the party that Mr Pik Botha's statement would provide powerful ammunition for the right-wing Conservative Party (CP).

President Botha is scheduled to speak again in parliament on Monday, where he is expected to reply to Dr van Zyl Slabbert's valedictory speech.

Mr Rob Abrahamsen has resigned as managing director of Nedbank, South Africa's third largest bank, in a move which is expected to add to the insecurity felt by the country's foreign creditors. The bank, which is most affected by South Africa's debt moratorium, has also announced it needs to raise new capital. Detail, Page 16

CONTENTS

IMF committee paves way for Polish entry

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

POLAND has moved a step closer to achieving its aim of rejoining the International Monetary Fund (IMF) following the completion of a technical assessment by staff of the Washington-based organisation.

The IMF has formed a small committee of executive directors to examine the staff report, which has set a proposed level for Poland's quota or subscription share of the fund.

If the board approves the recommendation, member governments could then be asked to vote on Polish admission within the next two months, although the delicate political background to Poland's application means there is always a risk of slippage in the expected schedule.

Poland first applied to rejoin the IMF—it was a member until 1950 when it withdrew under pressure from Moscow—as a result of the debt problems which struck in 1981. Creditor banks have often argued that IMF membership would make easier the rescheduling which has been necessary since then.

IMF membership would also provide Poland with an additional source of hard currency loans, especially as it would open the door to membership of the World Bank from which another Comecon country, Hungary, has borrowed since it joined the IMF in 1982.

A simple majority of IMF members weighted according to their subscription quota is needed to vote Poland back into the IMF. Once that is obtained membership is automatically effective after 30 days.

Crucial to the vote is the level of quota proposed for Poland which most members want to see kept as low as possible. Developing countries would allow Poland to draw extensively on the IMF, watering down its available loan resources.

Developed countries are worried that a high quota would give Poland too much say in IMF decisions as voting rights are linked to quota size.

Adjusting Poland's 1950 quota for increases agreed for all members since then would give it a 1986 quota of around SDR 750m (£600m), larger than those of Hungary and Romania of SDR 531m and SDR 523m respectively.

Poland's quota size will only be made known once the IMF executive board has completed its discussions, paving the way for the full membership vote.

Christopher Bobinski in Warsaw adds: Mr Zbigniew Kamecki, a Polish Communist Party central committee member, has suggested that Poland's IMF quota should be set at between $900m (£643m) and $1,000m.

Mr Kamecki, an academic on the moderate wing of the party, stressed that IMF membership would strengthen Poland's credit rating.

Italian PM claims victory over Mafia

By Alan Friedman in Palermo

THE MAFIA has been defeated in its challenge to the authority of the Italian state, according to Mr Bettino Craxi, the Prime Minister. Mr Craxi was speaking about the importance of the "maxi-trial" of 474 alleged Mafia bosses, killers and associates which opens this morning in Palermo at a specially built courtroom inside a prison.

The trial, the biggest ever involving alleged Mafia members, has captured the attention of Italians. However, leading magistrates and politicians in Sicily are warning that it would be wrong to say that the Mafia has been beaten.

Professor Sergio Mattarella—a national deputy and Palermo city council member, whose brother, the president of the regional government of Sicily, was murdered by the Mafia in 1980—yesterday called Mr Craxi's statement "optimistic and illusory."

"It would be a tragic error to say that this trial is the end of the battle," Prof Mattarella said.

While this morning's trial opens on a note of high drama with 2,000 Carabinieri on the streets of Palermo, 250 armed guards inside the bunker courtroom and nearly 400 journalists present from all parts of the world, the Mafia continues to enjoy annual revenues of many billions of dollars from heroin trade.

Mitterrand magic works its charm at Lille rally

BY DAVID HOUSEGO IN LILLE

PRESIDENT François Mitterrand showed his old wizardry as an election campaigner over the weekend when he drew a crowd of 20,000 at Lille to proclaim himself the "guarantor of social harmony" in France and thus of "national cohesion."

It was by far the largest rally so far in the campaign and is likely to remain so before France votes in parliamentary elections now only five weeks away.

The President's own vigorous participation in the campaign in support of the Socialists—thus sailing close to what is permissible for a head of state under the Fifth Republic—has now become an issue in itself. Mr François Leotard, one of the main Opposition leaders, said after Mr Mitterrand's speech that the President had "put on the handcuffs of the Socialist party" and that he should not be surprised "at being imprisoned by their defeat."

To help protect the President from Opposition charges of acting like a party leader, the Socialists refrained from putting up overtly party banners in the vast trade fair hall where the meeting was held. Mr. Mitterrand spoke against the background of a giant poster showing a star-spangled blue sky and a church tower across which was written the simple message: "Avec le Président" ("With the President").

The poster — intended to symbolise the values of progress, patriotism and tranquillity with which the President is trying to rally popular support — is now being pasted up on the walls across France. The Communist Party has accused Mr Mitterrand of trying to turn the election into a plebiscite.

Mr Mitterrand climbed up to the rostrum a few minutes after 8 pm, a timing which enabled the first part of his speech to be carried live on the main evening television news programme. The hall echoed to cries of "Mitterrand" and "we will win."

Time and again in his speech Mr Mitterrand returned to the theme that France felt better with a Government that assured both social justice and economic progress. Declaring that present policies should be pursued, he said that future generations would reproach an electorate that allowed the country "to go back on its tracks."

Mr Mitterrand's declaration that he was the "guarantor of social harmony" — a role for which there is no provision in the constitution — was intended as a warning that a Right-wing Government would find him across their path if it put through measures that exacerbated social tensions. An important element in the Right's programme is to improve industrial competitivity through measures such as easing redundancy procedures, diminishing trade union power and providing more flexibility over wages.

Mr Mitterrand's speech comes at a time when Socialist ministers and senior officials privately concede that the Socialists, with only around 30 per cent of the vote, have virtually no chance of forming a Government after March. The party's strategy now is to try and give Mr Mitterrand as much room to manoeuvre as possible in the two years before the presidential elections.

Danish report warns of referendum risk

By Hilary Barnes in Copenhagen

IF THE results of Denmark's February 27 referendum on the EEC reforms led to a withdrawal from the EEC, the economic impact would be comparable with the two oil shocks of the Seventies, according to a report prepared for the Government and released by Prime Minister Poul Schluter at the weekend.

Mr Ivar Noergaard, Opposition Social Democratic market affairs spokesman, pointed out that the referendum is to affirm or reject the EEC reforms and is not for or against membership.

But if Denmark rejects the reforms, this could cause a crisis in relations with the other members which would precipitate Denmark's withdrawal and lead to 10 years of painful economic adjustments, said the report.

There would be high unemployment and low growth, mainly a result of the effect of agriculture and fisheries and the related food processing industries which, according to the report, account for about a third of Denmark's exports.

The loss of the EEC market as well as exports to third countries which are now subsidised by the Common Agricultural Policy would have serious consequences, not only for export earnings but also for employment in the industries.

However, all the opinion polls published since the decision to hold a referendum was announced point to a vote in favour of the EEC reforms.

Tin crisis casts shadow over cocoa talks

BY ANDREW GOWERS

Efforts to negotiate a fresh international price support agreement for cocoa resume in Geneva today under the shadow of the three-month-old tin crisis.

The talks between cocoa exporting and importing countries, expected to last about four weeks, represent the first major test of an intergovernmental commodity agreement since the International Tin Council ran out of money to support the tin market last October with debts worth hundreds of millions of pounds.

They also follow severe *strains in the International* Coffee Agreement as a result of an anticipated drop in supplies from Brazil and a consequent sharp rise in world coffee prices.

The talks will be watched closely by countries which depend heavily on cocoa exports, such as the Ivory Coast and Ghana, as well as by European chocolate manufacturers, for whom cocoa represents a significant proportion of costs. Around 15 per cent of the costs of making a chocolate bar is accounted for by cocoa.

The round of negotiations starting today is the fourth attempt to draft a replacement for the current International Cocoa Agreement. But despite months of talks, producing and consuming countries still appear far apart on key issues, particularly the price range within which it should seek to maintain cocoa prices.

The last full-scale negotiating session took place almost a year ago. Then, the producing countries, which have tended to see commodity agreements as disguised forms of development aid, called for prices to be supported between 105 and 135 US cents per pound.

But the consumers, led by the EEC, have insisted that prices in the agreement should be adjusted to reflect the long-term market trend. Their last offer called for a price range between 90 and 120 cents. Last week, the International Cocoa Organisation's daily price was just above 100 cents per pound.

The tin crisis, however, appears to have significantly hardened attitudes among EEC member states.

"The general feeling is that with the failure of the ITC, everyone is going to take a fairly jaundiced view of all commodity agreements," said one commodity trader last week.

"Some delegations would be relieved to have an agreement without economic provisions," said the representative of a consuming country.

It is not clear to what extent the major producers such as the Ivory Coast and Brazil will be prepared to compromise on price.

In addition, there are doubts as to whether an eventual agreement would be fully effective. The present cocoa pact suspended its support buying in 1982 after building up a stockpile of 100,000 tonnes but failing to bring prices within its required range of 106 to 146 cents.

If negotiations fail over the next few weeks, delegates will have to consider how to sell off these stocks and how to allocate between producers and consumers the $250m (£167m) which the ICO has built up over the last four years from the collection of levies.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Pope reviews Hus verdict

BY CHRISTOPHER BOBINSKI IN WARSAW

POPE JOHN PAUL II is considering the rehabilitation of Jan Hus, a 15th century Church reformer burnt at the stake in 1415 at the Council of Constance.

The move would bolster the Vatican's relations with Czechoslovakia where Hus is seen as a national hero, and answer the Pope's progressive critics by stressing his commitment for change in the Church.

The Vatican review was signalled in the Cracow-based Catholic paper, the Tygodnik Powszechny, which retains close links with the Pope dating from when he was cardinal there.

In an article which could not have appeared without consultation with the Pope, the paper asked "in the name of justice" for a revision of the verdict of the council which accused Hus of heresy and sentenced him to death.

The article underlined that Hus was a forerunner of the second Vatican Council

Canada's jobless rate falls to 9.8%

CANADA'S unemployment rate fell to 9.8 per cent in January, its first drop into single digits since April 1982, according to Statistics Canada, Bernard Simon writes from Toronto.

The jobless rate, measured on a seasonally adjusted basis, stood at 10 per cent last December and 11.2 per cent in January 1985. Last month's decline was due largely to figures produced by the resource-based western provinces of Alberta and British Columbia. In Newfoundland, on the other side of the country, unemployment remains at 19.8 per cent.

Moscow drops arms talks link

BY STEWART FLEMING IN WASHINGTON

SOVIET leader Mr Mikhail Gorbachev has dropped the condition that progress in arms talks on intermediate nuclear missiles should be linked to a US decision to halt its Strategic Defence Initiative (SDI), the so-called Star Wars programme, Senator Edward Kennedy said following a visit to Moscow.

Mr Kennedy met both Mr Gorbachev and Mr Eduard Schevardnadze, Soviet Foreign Minister. He said the Soviet leader had questioned the wisdom of holding a second summit meeting in Washington later this year, as President Reagan has proposed, unless that meeting produces evidence of progress towards the elimination of intermediate-range American and Soviet missiles in Europe.

"The General Secretary expressed the view that an agreement on intermediate nuclear forces (INF) would justify the next summit meeting," Mr Kennedy said. "Without specific progress in one of the areas of negotiation under way in Geneva, he expressed doubt as to whether a second summit would be justified or whether it should take place at all."

But he added: "I sense no flexibility with regard to his position on the linkage on the ban of space weapons and any reductions in strategic (long range) offensive forces."

Mr Kennedy, briefing reporters on Saturday after his return from the Soviet Union, said that 25 individuals on behalf of whom he had interceded would be allowed to leave the Soviet Union.

Twenty die as Haitian revelling leads to riots

BY CANUTE JAMES IN KINGSTON

AT LEAST 20 people have been killed and about 200 injured in Haiti over the weekend as revelling which followed the downfall of Mr Jean-Claude Duvalier, the president, turned into rioting and looting.

The military council which has been running the country since Mr Duvalier and his family fled to France on Friday has imposed 16-hour curfews from 2 o'clock in the afternoon in an effort to curb the violence.

In spite of this there has been steady gunfire in Port-au-Prince during the nights and several buildings have been set alight.

Mr Duvalier is in France and is reported to be planning permanent exile to either Dahomey or the Ivory Coast.

The disturbances in Haiti have included many attacks on members of the Volunteers for National Security, successors to the Tonton Macoutes, the presidential militia. Businesses and homes of known militiamen have been looted and destroyed. Several civilians were reported shot as some militiamen fought back rather than join their colleagues in trying to hide.

The militiamen are widely thought in Haiti to be responsible for the murder of about 50 people two weekends ago after Mr Duvalier imposed martial law to curb nearly three months of protests against his dictatorship. While they have been attacked soldiers have been hugged and kissed in the streets by Haitians.

All symbols of the 28-year rule of the Duvalier family are being destroyed. The home of Dr Francois Duvalier who started the dynasty was destroyed in the disturbances.

The five member military council has close ties with the former president. Lt Gen Henri Namphy, its head, has been Chief of Staff of the Army since 1984. He is, however, a career soldier and was not regarded by the former government as a loyal Duvalierist.

Lt Gen Namphy instructed soldiers 10 days ago not to shoot anti-Government protestors except in self-defence apparently in an effort to clean up the Army's image in preparation for taking over the country.

Col Williams Regala, another member of the council, is also considered a career soldier and not a Duvalierist, but his colleague Col Max Vales has been Commander of Mr Duvalier's presidential guard since 1984.

One of the two civilians on the council, Mr Alex Cineas, is a former Duvalier government minister. The other civilian, Mr Gerard Gourgue, a lawyer and president of the Independent Haitian Human Rights League, is the only known Duvalier critic on the council.

It has emerged that the Jamaican Government played a significant part in getting Mr Duvalier to leave Haiti. The Government said Mr Edward Seaga, Prime Minister, sent an emissary to Mr Duvalier on Monday and Tuesday of last week encouraging the president to leave.

Men and Matters.

Nasa 'was warned' of shuttle risk

By William Hall in New York

OFFICIALS INVOLVED in the US space programme had been warned about the catastrophic consequences of breaks in the seals on the solid booster rockets of the space shuttle as far back as 1982, according to an official memorandum.

The National Aeronautics and Space Administration (Nasa) was warned last year that the shuttle's safety was "being compromised by potential failure of the seals" according to an internal Nasa memorandum which was reported by the New York Times yesterday.

The report comes as investions into last month's shuttle tragedy focus on the possibility that a seam in the metal casing of the solid booster rocket—or the casing itself—burst open and spewed hot gases on the external fuel tank.

According to the New York Times, the Nasa documents show that the seams between segments of the space shuttle booster rockets were causing problems last year.

A Nasa memorandum dated July 23 1985, warned that "charring of the seals," which had been observed on recent shuttle flights, posed a "potentially major problem affecting both flight safety and programme costs."

Pope risks controversy on birth control

BY JOHN ELLIOTT IN NEW DELHI

A BLUNT restatement by Pope John Paul II of the Roman Catholic Church's opposition to artificial birth control last night marked the final stages of the Pontiff's 10-day visit to India.

During his country-wide tour he has studiously avoided becoming involved in major social issues, but last night in Bombay he quoted the words of the late Mahatma Gandhi, a Hindu and India's independence leader, to oppose the sort of birth control programmes on which India is planning to spend Rs 32.5bn (£1.9bn) in the next five years.

The Indian Government wants to stop the country's population growing from 740m to over 1bn by the year 2000 and advocates voluntary female sterilisation as its preferred method of artificial birth control.

But addressing a large open air meeting in Bombay the Pope reminded Indians that Gandhi said that population control could not be brought about by "immoral and artificial checks . . . but by a life of discipline and self control." Moral results could only be brought about by "moral constraints," the Indian leader had said.

"This, dear brothers and sisters, is the Church's profound conviction," said the Pope, who eight days ago knelt for almost five minutes at Gandhi's cremation memorial shrine in Delhi.

One of the Pope's aides said that the Pontiff was not addessing the Indian Government but the "consciences of Christian families in India" who make up about 2.8 per cent of the population.

The Pope however appeared to have a wider audience in mind when he added that it was the "task of all mankind to reject whatever wounds, weakens or destroys human life, whatever offends the dignity of any human being."

The Government is unlikely to react strongly to the Pope's warning, even though it had hoped he would steer clear of the subject. There were signs last night it would try to stop the speech receiving wide publicity. The official view will probably be that the Pope is unlikely to have had any impact on the vast non-Christian majority in India.

During the afternoon the Pope met the Archbishop of Canterbury, Dr Robert Runcie, for private talks in Bombay where the Archbishop is starting a three week tour of India. This was their third meeting in the past four years.

The Pope, who leaves India tonight, has drawn crowds of up to 1m in the southern states of Tamil Nadu and Kerala and has generally impressed people with his quiet style and authority.

There have been few controversies or angry scences in spite of strong opposition to the trip voiced by extremist Hindu groups.

Garcia declares state of emergency in Lima

BY DOREEN GILLESPIE IN LIMA

A FOUR HOUR curfew emptied the streets of Lima and the neighbouring port of Callao between 1 am and 5 am yesterday as the state of emergency announced by President Alan Garcia late last Friday was put into effect.

The President, in a 60-minute television address on Friday night, also announced an immediate 25 per cent wage increase for state and non-union private sector personnel and a 5 per cent reduction in the general sales tax and bank lending rates. The minimum legal wage has been increased by 30 per cent to 700 intis (£35 a month).

The measures are part of a package aimed at increasing production through new demand. Peru's economy grew by 1.9 per cent last year compared with a 4.7 per cent growth in 1984.

Other measures include a further 12-month freeze on the official exchange rate and a 10 per cent reduction in electricity rates for industry. Farmers are to receive a 20 per cent cut in electricity rates and concessionary bank credits aimed at reviving the lagging production which has contributed to food shortages since the end of last year.

President Garcia did not say how much the measures will cost the Government nor how it will compensate for them. The President's argument has always been that Peru can only finance its development by restricting payments on its $14bn (£10bn) foreign debt.

Mr Garcia, in an unusually quiet and measured speech, said the Government had decided to place Lima and Callao under the control of the armed forces in response to increased killings, blackouts, fires, bomb attacks and kidnappings

The President called for support from all sectors of the country and said the Government did not discount the possibility that the latest violence come from new reactionary groups

The Government has also extended for another 60 days the state of emergency which has existed in some cases since December 1982 in 19 provinces of the central and southern Andes

Egyptian fraud case 'bungled'

By Tony Walker in Cairo

THE EGYPTIAN Government has been put on the defensive over Opposition allegations that it bungled a case involving corruption charges against, among others, the brother of a senior official of the ruling National Democratic Party.

Mr Abdel Khalek al-Maghoub, brother of the parliamentary speaker, was convicted last month on charges of fraudulently authorising the return of confiscated funds to a Port Said merchant accused of currency violations. Mr al-Maghoub was employed as an under-secretary in the Ministry of the Economy.

To compound the Government's embarrassment, Mr al-Maghoub and his accomplices disappeared before being sentenced in mid-January.

Mr al-Maghoub was arrested in Alexandria last week along with another former employee of the Economy Ministry who was also under sentence. Two others involved—a policeman and a lawyer—fled the country in January.

Mr Ahmed Rushdi, Egypt's Interior Minister, defended the Government's handling of the case in a speech before the People's Assembly at the weekend, saying that no one was above the law.

Havana makes extensive party leadership changes

BY MARGARITA ZIMMERMAN IN HAVANA

EXTENSIVE changes have been announced in the leadership of Cuba's ruling Communist Party as part of a drive to overcome the country's economic shortcomings.

The four-day party congress, which ended yesterday, ratified the leadership of President Fidel Castro and the position of his brother Raul as number two in the Communist hierarchy.

But four veteran leaders of the 1959 revolution, including former Interior Minister Ramiro Valdes, once regarded as number three in the leadership, have been dropped from the 14-member politburo. They have been replaced by younger men and the politburo's first woman member.

One-third of the party's 146-member central committee were also replaced.

President Castro said that preference had been given for the first time to qualified women, blacks and people under 35 years old, reflecting more accurately the make-up of Cuban society.

President Castro told the 1,800 delegates in his closing speech that the recent fall in oil prices will affect Cuba, which now earns more from re-exports of Soviet oil than from sugar. He said that by 1990 Cuba would be producing 2m tonnes of its own crude.

Earlier, President Castro had outlined the economic achievements of the past five years, including a 7.3 per cent average annual growth rate.

But he said that growth had not taken place in areas most needed — exports to capitalist countries and import substitution.

He confirmed that the current sugar harvest would total 7m tonnes, 1m below the level attained for the 1980-85 period.

Industrial growth, including a 16 per cent annual increase in machine building, had been hampered by slow start-ups mainly as a result of the instability and insufficient qualification of the workforce, he said.

Young people trained to work in new plants often took jobs elsewhere by the time those plants came on line, President Castro added.

Seven Lebanese die in fight at Gemayel stronghold

FIGHTING IN Beirut and around Lebanese President Amin Gemayel's home town killed at least seven people and wounded several others at the weekend, radio stations said, Reuter reports from Lebanon.

A Christian station said at least seven pro-Syrian militiamen were killed when army units defending Gemayel's mountain stronghold of Bikfaya thwarted an attack on Saturday.

In Beirut, radios said sniper fire engulfed the "Green Line" battlefront again yesterday, briefly closing all three crossings between Moslem and Christian sectors.

A four-year-old boy and a woman were wounded when gunfire erupted along the dividing line, which snakes about 7 km through the embattled city.

Fighting closed the crossings on Thursday—the first time in six months that all links between eastern and western enclaves were simultaneously cut.

Nuia Boustany adds: Major General Mahmoud Thai Abu Dergham, Lebanon's Chief of Staff, and 16 other high-ranking officers have issued a plea for the Lebanese Army to be kept out of internal conflicts and to avoid defending individuals, a reference to President Amin Gemayel.

WORLD TRADE NEWS

John Elliott looks at a prospective purchase that will test US-India technology links

Air-engine order could turn courtship to honeymoon

A PROSPECTIVE purchase by India of an engine for a light combat aircraft from General Electric of the US has emerged as the first significant test of a technological courtship between the two countries that has developed since Mr Rajiv Gandhi, Indian Prime Minister, visited Washington last June.

In a move which has upset negotiations on an engine for the proposed aircraft with Rolls-Royce of the UK, the US Government has sanctioned what would be its first major defence sale to India for 20 years.

Strong reservation from Pentagon service chiefs, who fear secrets will leak from India to the USSR, have been overridden.

Sales of high technology computers worth more than $1.5bn (£1.07bn) are also being released for India, after much US heart-searching, although sale of a Cyber-205 super computer for Monsoon Research has yet to be cleared officially because it could be used for nuclear purposes.

"Its a honeymoon on US technology transfer at the moment. For India to buy GE engines would show even-handedness in its relations with the US and USSR. But it would also put relations with the US on a new level, and would tweak the Russian tail," says one western defence expert.

But another defence expert said: "It's not a honeymoon because there's no new marriage. Its a courtship by India which is already married to the USSR, is having an affair with Europe, and is wondering whether to have an affair or a new marriage with the US."

Honeymoon or courtship, the turnaround in US attitudes has meant that US companies including Northrop, Rockwell, and Grumman are chasing the light combat aircraft project which was earlier being fought for solely by European companies — British Aerospace, Dassault of France, and Dornier and MBB of West Germany in addition to Rolls-Royce, with a possibility that the USSR might one day move in.

India fell out with the US when military supplies which started in 1963 were cut off during the 1965 Indo-Pakistan war. It increasingly relied on Soviet equipment until about five or six years ago when the late Mrs Indira Gandhi, then Prime Minister, started major purchases from European countries such as the British Jaguar and Harrier and French Mirage aircraft, playing the two power blocs off against each other.

European countries' emissaries describe their arms sales activities in terms of weaning India away from the USSR. But they fight fiercely among themselves for the business and are now unsure whether to see the US as the most effective competitor in India against the Soviet Union or as an unwelcome commercial interloper.

In the past two years, the US has had no military sales to India but in 1983 sold a few guns, night-sight equipment and aircraft ejection seats worth $63m. ITT is now negotiating to supply advanced tubes for Indian-made night-vision goggles.

The US failed five years ago to clinch a major howitzer gun order, now worth £700m, for which France, Sweden and possibly a UK-led European consortium are negotiating.

The problem then as now, was that the US refused to guarantee supplies of equipment and spares if India entered a military conflict of which the US disapproved. Some of its rules have been relaxed but it is still unwilling to give contractual assurances.

It is also trying, so far unsuccessfully, to persuade India to sign its General Security of Military Information Agreement which releases operating and development manuals to countries that accept certain security conditions and standards and buy sensitive US equipment.

Last year, the log-jam was broken with the signing of a high-technology memorandum of understanding which included Indian assurances that such technology would not, for example, be used for nuclear weapons work or leaked to the USSR. The bureaucratic paperwork for this to operate was completed recently.

That memorandum does not open all the doors India had hoped for but, after a visit last August to the US by Dr V. S. Arunachalam, the Indian Defence Minister's scientific adviser, the US agreed to make the GE-404 military engine available for India's light combat aircraft project and gave export clearance for secret sales information to be passed to India.

The aircraft will probably be a single engine, single-seat ground-attack aircraft with air superiority as a secondary role.

Last month, an 18-24 month project definition stage was started for the ministry of defence to decide what sort of aircraft to build and to reach "make or buy decisions."

The ministry has had consultants' reports from British Aerospace, Dornier, Dassault and MBB and says it will first choose which concept to adopt.

It will then look at areas such as the nose radar, which it might import from GEC or Ferranti of the UK or Ericsson of Sweden for prototypes, maybe having a shared-costs joint development programme for service aircraft with one of the companies.

For the airframe design, using non-metallic composite materials, the ministry thinks it will probably need foreign collaboration with a company, such as British Aerospace Grumman or Northrop of the US.

The ministry says it will also need to improve its software capability for digital flight controls, possibly in collaboration with a US company, such as Northrop, Lear or Litton, on the basis of a technical consultancy or joint project.

Work on the engine, called the GTX, is not going fast enough, so India wants to buy 10-15 engines over the next five years, starting with two or three, for use in prototype aircraft from 1990.

The ministry wants both the aircraft and the GTX engine to be ready for series production and squadron service in 1994, following GTX engine certification six to eight years from now.

Initially, Rolls-Royce was the only engine candidate for this project, offering the latest versions of its RB-199 engine.

It has been hoping that initial direct engine sales would lead to the kind of development and parts supply contracts it has had for many years in India. This might lead to more direct RB-199 engine sales if, as seems likely, the programme falls behind schedule.

Now the GE-404 engine is a competitor for all this business and GE executives will be in India soon for a second round of technical evaluations. The US Government is also sending a team to India on February 20 to look at other parts of the project.

Rolls-Royce and the other competitors are watching to see whether the political imperative behind this US initiative means that GE wins at least the initial engine supply order, turning the courtship into an affair, if not a honeymoon.

CONTROL DATA Corporation (CDC) of the US is this week finalising a contract in New Delhi to transfer technology to the Electronics Corporation of India for the development of the country's first indigenous main frame computer, John Elliott reports.

The initial development contract, won in competition with Bull of France, will be worth $30m. It could subsequently lead to CDC exporting an average of a third of the components for 100 computers which India expects to make a year.

CDC was chosen last November by India after the US Government had granted aid of $7m from its economic supply fund and after India had given assurances that the computers would not be used on nuclear weapons programmes and that the technology would not be leaked to the USSR.

French set up joint venture to market infra-red sensing

BY DAVID MARSH IN PARIS

THE French atomic energy commission CEA is setting up with Thomson and Société Anonyme de Télécommunications (SAT), the two defence electronics groups, a joint venture company to commercialise French technology in infra-red sensing.

The joint company, to be called Sofradir, aims to pool French resources in this field to maximise chances of winning orders in highly sensitive areas of the market for military technology.

The company in particular will be working on installing night-flying visual devices on the Franco-German anti-tank helicopters planned to be built by Aérospatiale and Messerschmitt-Boelkow-Blohm for the 1990s.

The helicopter programme, decided by the French and German Governments in 1984, is currently facing serious hold-ups because of difficulties in reaching accord between Paris and Bonn over common specifications.

These include crucially the question of the night-flying "visionics" equipment, where West Germany has shown a market preference for US systems.

The industrial subsidiary of the Commissariat à l'Energie Atomique (CEA) will be taking a 20 per cent stake in the company, with Thomson and SAT each owning 40 per cent.

Sofradir aims to commercialise research carried out by the CEA at its infra-red laboratories in Grenoble which is believed to give France a lead over the US in key areas of infra-red sensing.

As well as being vital for night-time reconnaissance and surveillance for ground and airborne military use, infra-red systems are also used for tracking and guidance of missiles and for data transmission.

These technologies are becoming increasingly important for aircraft, tanks and missiles France and other countries are developing for the 1990s.

The CEA, which is responsible for military and civil applications of nuclear energy in France, is trying to set up a growing number of industrial companies and joint ventures.

It signed with Thomson in 1984 a wide-ranging accord to reinforce co-operation in integrated circuits.

Dragonair plea for London charter flights rejected

BY DAVID DODWELL IN HONG KONG

HONG KONG Dragon Airlines, the fledgling carrier controlled by Sir Yue-Kong Pao, received a further setback this weekend when the territory's Civil Aviation Department turned down an application to operate charter flights between Hong Kong and London.

The aviation authority is also understood to have rejected a similar application from the UK-based London Express. This application had been provisionally approved by Britain's Civil Aviation Authority.

Meanwhile, Cathay Pacific Airlines, Hong Kong's de facto flag carrier, has applied for a licence to operate flights between Hong Kong and Amsterdam as part of an expanding network of services to European cities.

Later this year, it plans to begin services to Paris and Rome, with Zurich to be added next year. At present, Cathay's only European destinations are London and Frankfurt.

In announcing its rejection, the Civil Aviation Department said the carrier had failed to demonstrate that demand for seats between Hong Kong and London could not be met by existing services. The department also insisted that it preferred scheduled to chartered services on the route.

For Dragonair, the rejection is the latest of a number of setbacks. Since it emerged in April last year, its plans have been keenly resisted by Cathay Pacific.

Most recently, Hong Kong's Air Traffic Licensing Authority (ATLA) upheld Cathay's objections to Dragonair's application for licences to operate services to Peking and Shanghai in China.

ATLA at the same time granted licences for Dragonair to operate services to eight smaller and financial unproven destinations in China. Agreement has yet to be won from Peking for these operations to start.

Meanwhile, Dragonair's single Boeing-737 is operating weekly charters to Bandar Seri Begawan in Sabah.

Egypt asks Australians to prepare coal port plan

BY TONY WALKER IN CAIRO

AN AUSTRALIAN consultancy firm has been asked by Egypt to prepare detailed proposals for a $2bn (£1.4bn) coal-fired power station and coal trans-shipment port to be built at Zafarana, south-east of Cairo.

The 2,500 Mw power station would utilise 6.5m tonnes of Australian steaming coal annually when operating at capacity. The trans-shipment point could handle 15m tonnes a year for distribution throughout Egypt and to consumers in the Mediterranean region.

A negotiating team, representing ERM of Brisbane, the consultants, and possible American and Japanese suppliers of components for the projects, held several days' discussions in Cairo last month with senior officials of Egypt's ministry of electricity.

The Australians are talking about long-term coal contracts of between 20 and 30 years to guarantee reliable supplies.

According to an Australian official, the trans-shipment port would function more or less like a free trade zone. Coal would be transported from Eastern Australia in 200,000-tonne vessels and stockpiled at Zafarana for shipment elsewhere.

● Britain and Egypt have signed a technical co-operation agreement under which the UK's Electricity Council will assist in improving delivery systems and tariff collection.

SHIPPING REPORT

Tanker rates stay low

BY ANDREW FISHER, SHIPPING CORRESPONDENT

TANKER RATES in the Gulf remained low last week, as uncertainty over oil prices continued to pervade the market. In dry cargo trades, rates weakened further, with further falls expected.

While cheaper oil will clearly boost demand for tankers and lower shipowners' fuel costs, traders are waiting for prices to stabilise before committing themselves too much. Thus tonnage has built up in the Gulf, as owners wait for business.

But E. A. Gibson Shipbrokers reported that six VLCCs (very large crude carriers) had found work in the Gulf, "indicating that there is some underlying demand in the market."

The surplus of tonnage in the area meant that the rates they obtained were very low. One 240,000-ton cargo was fixed to the West at Worldscale 20, with one of 260,000 tons taken by a US oil company at Worldscale 19.75.

To the East, the rate for a VLCC stood at around Worldscale 24, half the level of last December.

Denholm Coates said dry cargo rates last week slumped further, with little business available. The grain rate from the US Gulf to Continental Europe was down to $6.70 a ton from $6.75 — late last month, it was $8. To Japan, the rate fell by a dollar to $11.

World Economic Indicators

TRADE STATISTICS

		Dec. 85	Nov. 85	Oct. 85	Dec. 84
UK £bn	Exports	6.425	6.308	6.317	6.596
	Imports	6.300	6.440	6.317	6.940
	Balance	+0.125	−0.132	0	−0.344
US $bn	Exports	17.024	17.976	17.368	19.142
	Imports	32.888	30.285	27.594	25.933
	Balance	−15.864	−12.309	−10.226	−6.791
France FFrbn	Exports	73.62	75.18	78.18	75.95
	Imports	77.05	75.67	77.20	76.45
	Balance	−3.43	−0.49	+0.98	−0.50
		Nov. 85	Oct. 85	Sept. 85	Nov. 84
Japan $bn	Exports	15.454	16.035	14.761	13.977
	Imports	10.673	11.675	10.176	10.880
	Balance	+4.781	+4.360	+4.585	+3.097
W. Germany DMbn	Exports	44.33	44.63	44.35	43.50
	Imports	37.47	38.53	37.48	37.09
	Balance	+6.86	+6.10	+6.87	+6.41

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Retailing

Giving Debenhams a 'mission'

Martin Dickson describes what action Burton has taken with the UK stores group since taking it over six months ago

Hugh Routledge

Ralph Halpern: has already opened a Burton outlet in Debenhams' Oxford Street store in London

IMAGINE you are the chairman of one of Britain's leading chains of clothing shops.

Suddenly, one summer's night, the gods of the retail world reward you with a wave of their magic wand and hand you a rare and extremely valuable present: 67 of the country's best known department stores.

What on earth do you do with it? How do you handle a gift which has the potential greatly to increase your profits performance but, equally, has a combination of bulk and fragility which, treated wrongly, could drag you down? Where do you begin?

"The very first step," says Ralph Halpern, chairman of the Burton Group, "is to get control of the various information streams, find out exactly what has been happening to performance. On day one, in goes the finance team."

That is what happened six months ago at Debenhams, Britain's second largest department stores group, when Burton emerged the winner from an epic takeover battle.

It was a victory which radically changed Burton's size and shape overnight: its selling space increased from 2.5m sq ft to 7.2m sq ft, about the same as Marks & Spencer; whereas Burton had traded mainly in conventionally-sized High Street shops, it was now the master of huge, diverse trading floors; and whereas it had been essentially a clothes retailer, it now found itself selling goods ranging from potatoes to pots and pans.

Six months on, Burton has reshaped both Debenhams' management and management structure; has begun altering its retailing mix; and has set in motion longer term plans for a more fundamental change of image and physical appearance. The aim, says Halpern, with all the enthusiasm of the supersalesman, is to give Debenhams "a mission."

And the story so far reveals some extreme differences in both management and retailing philosophy between the old and new owners. It is also a reminder that the more extravagant claims made during takeover battles should be taken with a pinch of salt.

Burton gained control of Debenhams on the night of Friday, August 2 last year, but long before then it had a broad idea of what it wanted to do with the business.

Under Halpern's leadership, Burton had been transformed from a dowdy menswear chain into a highly successful retailer of casual clothes, through chains such as Top Shop, Top Man and Dorothy Perkins. By 1984 it was hungry for additional High Street space and, from its trading experience in larger developments, such as its 30,000 sq ft one in Newcastle, was confident that it could handle big areas. It began casting its eyes over potential targets.

"In retailing," Halpern says, "it is easier than some other businesses to get information on your rivals. Anyone can walk into a store." Burton did a secret audit of seven Debenhams outlets and came to the conclusion that their sales densities and retail profits were relatively low.

On the morrow of victory, the first imperative was for Michael Wood, Burton's finance director, and his team to move into Debenhams' headquarters, just north of Oxford Street, and take control of the information streams.

The next week there followed a meeting with the Debenhams board, and Burton began taking over financial control and key corporate functions.

"It was harder than we thought," says Wood. Burton was used to takeovers — but in the past these had been of much smaller companies "where we basically sent someone in to take control of the cheque book. Debenhams had about 20 businesses with their own financial controls."

Meanwhile Price Waterhouse, the accountants, were at work drawing up a detailed description of the businesses under the Debenhams umbrella.

This preliminary stage over, Burton then began shaking up the Debenhams business on three broad fronts:

● Management. Both the top personnel and the power structure have been radically changed. It was not till November — three months after victory — that Burton announced sweeping changes to the Debenhams board, retaining only two of the old team in the new nine-man executive that would run the stores.

"For all your preparation beforehand," says Wood, "one of the things you have to do in a bid like this is take a little time assessing what you've got."

Halpern brought in as managing director of stores operations Graham White, who until then had occupied another key job as retail operations director of Burton's womenswear division. A broad, bespectacled man, with 27 years' experience in the clothes retailing business, White says that the key priority was to start implementing new control methods — and that meant a total change in the Debenhams management structure.

Ironically, the existing, and unusual structure had only been introduced two to three years previously by a Debenhams management which had waxed lyrical about its merits.

The system formed part of Debenhams introduction of the "shop within a shop" idea — having a mix of separate shops under the one department store roof, and renting out much of the space to outside concessionaires.

Debenhams created 10 autonomous and vertically integrated trading companies for specialised areas, such as women's wear, home and garden, leisure. Their managements had responsibility in each store for buying, selling, staffing, profit and concession arrangements.

It was, claimed Debenhams, a great success, with each management team highly motivated and close to its markets. It was, says Burton, anything but a success — a recipe for intra-company strife.

"The scheme just didn't work," says Halpern. "Each manager wanted to run his own business as if it were separate. So the stores were a mess."

Adds White: "In five years' time they could all have gone off in different ways. There was a conflict of individual profit objectives. We have just one objective. One plan."

The system has been scrapped and replaced by a more conventional structure with a single Debenhams board. Individual members have responsibility for the key functions—such as finance, personnel, menswear, womenswear—but as part of a single executive team. The change, together with cost-cutting new control systems, will mean the loss of up to 850 jobs, though some of those affected should be redeployed within the group.

● Short term changes to the stores. Within a few weeks of taking control, Burton had begun to take relatively easy, inexpensive measures to liven up Debenhams appearance and range of goods.

A key part of this was for Burton chains to open their own "shops within shops" in Debenhams. So far they have taken over 250,000 sq ft of the total 4.7m sq ft, and the aim is to reach 500,000 sq ft by August. No one is being squeezed out. The new sections are, says Burton, being introduced through the more efficient use of space, though some analysts argue that the greater density of goods could deter some customers.

It also insists that the move is producing results, in the form of better sales. Certainly, the Debenhams store in London's Oxford Street, to take one possibly atypical example, has been given a little lift by the introduction of Burton branches to the previously dull rear of its ground floor.

But here, as in many other branches, further short-term improvements are in the pipeline: individual departments will be moved round, to create more logical groups of merchandise, such as a "young fashion department" in the Oxford Street basement; signs —a vital ingredient in a rambling store — will be improved to give the customer a clearer, and more enticing idea of what is on offer; and the window dressing—what White calls the store's "menu" —will be made more exciting.

● Longer-term change. The immediate cosmetic improvements are only the first stage in a much longer term and inevitably more expensive Burton plan.

One of the most controversial issues during the takeover battle was a scheme put forward by Halpern, in conjunction with Sir Terence Conran, chairman of Habitat-Mothercare, to turn Debenhams stores into "galleria"—a variant on the "shop within a shop" idea.

Under Sir Terence's design guidance, Debenhams stores would be filled with attractively packaged and highly focused specialist retailers. To overcome the great weakness of department stores—the reluctance of shoppers to go to the upper floors—Burton would redesign old stores, creating huge glass-topped atriums that would entice shoppers up elevators to the higher levels.

Debenhams claimed at the time that this was a costly public relations gimmick that would never be implemented.

Six months on, when Halpern is asked about the galleria, he replies that it is "alive and well and living in Preston." That is somewhat disingenuous, since Preston is the site of a brand-new store developed by the *old* Debenhams management.

Press him on the point, and he now makes a distinction between an "architectural solution" (ie expensive changes to the basic structure of stores) and a "retailing solution" (cheaper changes to their internal looks).

Certainly, Burton will press ahead with the retailing solution, but it now looks as if few, if any of Debenhams' old stores will become the proud possessors of glassy atriums.

Burton's first priority is to improve cash flow from the stores as they are, both to fund longer term developments (such as relocating elevators) and to help reduce gearing, which soared from zero to around 70 per cent during the bid. Last week the group made an unusually structured Eurodollar Bond issue, with an equity element, which will go some way to improving the balance sheet. The aim is to cut borrowings from near £300m to £100m over the next three years.

Some contribution to this could come from selling off parts of the Debenhams empire, such as Hamleys, the toy shop, or Harvey Nichols, the Knightsbridge store (though Halpern says this fits in well with the rest of the group).

Before he knew the bid was successful, Halpern commissioned a study of what Debenhams future market position should be. The team involved comprised Management Horizons, an outside management consultancy, Burton's marketing team and its "futures" unit, a two-year-old group set up by Halpern to advise on long-term social and retailing trends.

The report is confidential, but Halpern makes no secret of his wish to make Debenhams much more stylish, and to concentrate on rather fewer areas, mainly clothing and home products.

Under an agreement reached before the bid was launched, Habitat-Mothercare had the right to rent up to 20 per cent of Debenhams's trading space and to buy 20 per cent of its equity. Since Habitat's recent merger with British Home Stores, the status of these agreements is not clear, though Burton appears to believe the equity deal is off and there are signs of friction over the rental one.

Another important figure, who has been trading inside Debenhams since before the bid, is Sir Philip Harris of Harris-Queensway, the carpets to electrical goods group, who played a key role in clinching the takeover for Burton when he cast his shares Halpern's way.

Since victory, Burton has agreed that he buy total control of the joint "shop within shop" ventures he ran with Debenhams, arguing that it makes better management sense to have a single owner.

The ultimate test of all this is whether it boosts both Debenhams profits and Burton's earnings per share. Six months is, of course, no time in which to judge, though Halpern says there has already been something of an upturn in Debenhams performance.

Have there been any really nasty surprises? "Nothing's perfect," says Wood, "but nothing significant, thank God." Even so, the transformation is going to take time. "It will be two to three years," says Halpern, "before we start producing the kind of figures we are used to in Burton."

Management abstracts

Shared responsibility. B. Hetherington in Industrial Society (UK), September 85 (2½ pages)

Examines a single instance of job sharing at Paddington Churches Housing Association; defines the difference between "job splitting" (little co-operation needed) and job sharing (much co-operation needed); tells how difficulties and co-operation were solved, and lists advantages and disadvantages for employers and employees.

Computer fraud. C. Marston in Internal Auditing (UK), September 85 (2½ pages)

Argues that companies need a catalogue of risks in the fight against computer fraud, and that one approach to compiling it might be to ask employees involved in a system to report on the opportunities it presents. Estimates that a quarter of employees might send back a nil return, and these are likely to be the dishonest ones.

Workplace design using videosomatography. W. Bauer and D. Lorenz in Industrial Engineering (US), July 85 (4½ pages)

Videosomatography is a technique used for the analysis and design of the man-machine interface, based on mixing or fading over several pictures on a screen to create a true-to-scale representation. Shows how the method can be used to check and improve such aspects as task sequencing, positioning of machine controls, and materials layout/flow.

The Scott Bader-Synthetic resins saga. D. McMonnies in Employee Relations (UK), Volume 7, No 2: p 20 (6 pages)

A history of events since 1982, when the Scott Bader Commonwealth (chemicals co-operative) took over the traditionally-managed and unionised Synthetic Resins of Speke; explores the mortal consequences (SRL has now closed down) of a culture clash in which neither the new owners nor the unions at SRL were willing to change their basic views and practices; takes a pessimistic view on the feasibility of similar "marriages" in future.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

Now safer braking for family cars

ANTI-SKID braking, until now a sophisticated safety feature fitted only to a handful of luxury cars, may soon be available on many ordinary family saloons. The advance is due to a system developed by Lucas Girling of the UK, expected to cost less than half the price of others on the market.

BY JOHN GRIFFTHS

Ford will be the first car maker to fit the systems, developed by Lucas Industries' brakes division. They will be offered on revised versions of the Escort/Orion, the world's best-selling car range, when these go on sale next month.

The systems will be fitted as standard to at least one model and offered as an option on most of the rest of the range. The price has yet to be fixed but is expected to be between £300 and £350.

Anti-lock braking systems (not produced by Girling) were first fitted to the most expensive Mercedes and BMW cars in the late 1970s. They have come to be regarded as a device rivalling the seatbelt in safety terms. They allow a driver to "panic" brake even on ice and snow without fear of the wheels locking. Thus the car remains under control, and can even be steered around an obstacle, under maximum braking pressure.

Hitherto, however, all such systems have been electronics-based and involved sensoring of all four wheels. They add at least £800 to the cost of a vehicle. Ford last year fitted an electronic system, produced by Alfred Teves of West Germany, as standard on its Granada range.

Lucas Girling's SCS (Stop Control System), designed primarily for front-wheel-drive cars, is based entirely on hydraulic and mechanical devices and works directly on two wheels rather than four.

Dozens of motoring journalists from throughout the world, who have spent the past fortnight driving the new Fords on ice- and snow-bound roads in Finland, said they could find no substantive differences in the effectiveness of the SCS compared with full electronic systems.

Girling believes it has secured watertight patents for the system around the world.

Though the sy.1em is made up of conventional mechanical and hydraulic devices including flywheel, pumps and pressure modulators, they are brought together in a unique use (see box). The entire system is driven by the rotation of the front wheels.

The key question is to what extent car makers are likely to adopt the system.

Ford, which has been involved with Girling in the system's development over the past four years, admits it has no idea what proportion of new Escort/Orion sales will include SCS.

"It's unchartered territory," says Ford's UK chairman, Mr Sam Toy, who himself spent a day charging, with obvious relish, around Finland's backroads.

THE SCS system was devised within current legislation which requires front wheels to skid before rear wheels under heavy braking. If rear wheels lock first, there is a tendency to spin.

It is incorporated within the diagonally-split braking system now adopted by all front-wheel-drive cars as the best way to provide optimum braking in the event of a circuit failure. In this system, each front brake is connected with its diagonally opposite rear counterpart.

Each front wheel is monitored separately for the onset of wheel lock. To achieve this, there are two anti-lock modulators, one in each of the diagonal braking circuits. Each front wheel is sensed through the modulator, with its rear counterpart controlled by a load-apportioning valve.

With this arrangement, if one circuit fails, the other continues to operate with anti-lock.

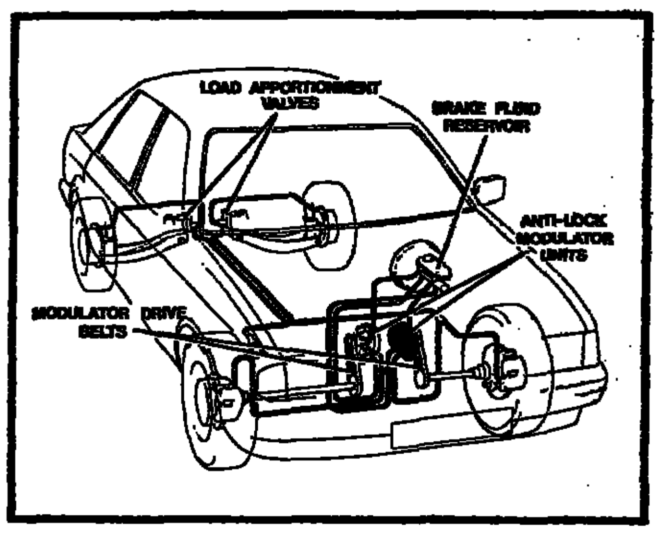
The two control units which perform both the sensing and brake control functions are driven by a toothed belt from the drive-shaft connecting differential to driven wheels.

However, the belt performs the dual function of providing the energy to power the brake control mechanism. In effect, each modulator is an integrated sensor, pump and brake pressure modulator. It acts as a wheel deceleration sensor; allows brake fluid pressure to be dissipated back to the reservoir when imminent wheel lock is detected; and acts as a pump to reapply the brakes as the wheel begins to speed up again.

The modulator incorporates a flywheel. If deceleration of the wheel exceeds a predetermined maximum—in other words, if the wheel shows signs of locking—the flywheel overruns a ball and ramp drive to open a "dump" valve which relieves braking pressure until it can be usefully reapplied.

A small amount of "lost motion" in the flywheel system prevents a too-sensitive response to minor variations in a wheel's rotational speed, and in this sense performs a similar function to the sensors of electronic systems.

The maximum operating frequency of the Girling system is five cycles a second, compared with up to 10 for an electronic system depending on how it is programmed. In terms of effect experienced by the driver, however, the differences are all but undetectable.



Hovercraft dressed in new skirts

THE British Hovercraft Corporation, a subsidiary of the troubled Westland helicopter company, is producing new skirts for its vehicles using high pressure water cutters and computer-aided design.

With this method, it has produced the skirts for its latest craft, the diesel-powered AP1-88.

The shape of a skirt, made of a material such as neoprene-coated nylon, is crucial to power and performance.

Originally, skirt components were produced in the same way clothing workers make parts of garments. This is by first producing a template on linen-backed paper, then cutting out with a knife the skirt component of the same shape as the template.

To improve the accuracy of the process, the corporation has installed high pressure water jets at its plant in Cowes, Isle of Wight. The 0.15mm diameter jets scythe through skirt material without weakening it.

Technicians have linked the cutters to a Kongsberg computer-aided design system.

Details on 0628 39292.

Why Soviet industry needs Western know-how

David Buchan examines the transfer of technology

THE TRANSFER of Western technology to the Soviet Union has become a politically highly-charged issue in the past few years as pressures have grown in the West to limit exports which could assist the Soviet defence effort.

Yet the Soviet Union still regularly buys from the West a lot of industrial technology which is neither politically sensitive nor controlled.

Why Moscow needs it, how far it depends on it, how the technology is transferred and used and its impact on the Soviet economy are among the issues examined in a timely study by Professor Morris Bornstein of the University of Michigan.

The study, published by the Paris-based Organisation for Economic Co-operation and Development (OECD), coincides with the start of the 1986-90 Soviet economic plan and the lure of big new export contracts for Western business.

The plan is set against the rapid expansion by the Soviet leader, Mr Mikhail Gorbachev, of the experiment in decentralisation begun by his predecessor, Mr Yuri Andropov. The aim is to give greater incentive and reward for innovation in industry.

However, Mr Bornstein points out that the experiment faces formidable barriers in the Soviet economic system. These include lack of competitive pressure to produce new products, the separation of research and development from production and a planning system which discourages managers from taking risks.

Its imports from the West partly reflect the Soviet Union's inability to produce enough high quality technology from its own resources. But Western technology is also being used to bypass obstacles and shorten delays endemic in the Soviet economic system.

These include:

● Steel. The Russians have been slow to make widespread use of oxygen-steel making, continuous casting and vacuum-induction resmelting, and although the electro-slag process is a Soviet innovation widely used abroad, they lag behind in other refining processes. Soviet rolling mills primarily churn out sectional steel and thick plate for heavy engineering and construction, so that output of good quality thin sheet steel (for fairly low priority cars and household appliances) is relatively low.

Perhaps for reasons more of limited domestic capacity than quality, Moscow has imported large quantities of 40 to 56 ins diameter pipe for gas and oil.

● Chemicals. The Russians are self-sufficient in synthetic rubber and simpler chemicals like sulphuric acid and exporters (mainly to eastern Europe) of relatively simple intermediate products such as formaldehyde and urea.

But they have imported from the West a great deal of chemical technology, particularly for petrochemicals, plastics, farm pesticides and fertilisers, and artificial fibres — much of it in turnkey plants rather than licences and equipment.

This reflects a common Soviet weakness in making the bridge from applied research and pilot-plant production to full-scale mass production.

These imports have, according to Mr Bornstein, helped the Russians shorten construction periods and cut costs. In the 1970s, at least, the time from placement of Soviet orders to the start-up of plants supplied by the West was generally between three and five years compared with an average of eight years for Soviet chemical factories.

Western ammonia production technology has, for instance, given the Russians savings of up to 95 per cent in consumption of electric power (of which they are short).

Mr Bornstein wrote his study before Moscow announced details of its plans for 1986-90. But it is putting more large chemical projects out to tender to the West, with companies like John Brown and the Davy Group of the UK and their competitors chasing big polyester and polyoleofins contracts, and companies like Courtaulds bidding to refurbish the artificial fibre plants they built in the 1960s. Mr Gorbachev is as keen on refurbishing old factories as building new ones.

● Energy. In nuclear energy, electricity generation and transmission and coal mining, the Soviet Union is technologically independent. Imports from the West have been concentrated in the oil and gas sector. The Russians have scored some firsts, with the innovation of the turbo-drill and down-hole oil drills, now made under licence in Aberdeen for the North Sea, but have often lacked the quality equipment, such as drill pipes, to exploit these innovations. Soviet offshore technology is limited because its experience is restricted mainly to the Caspian.

As a result, Moscow has imported drill pipe, gas and oil transmission pipe from Western Europe and Japan, US technology for making tungsten carbide drilling bits, US submersible pumps, and, in spite of the Reagan sanctions, some compressor equipment for gas pipelines.

Mr Bornstein says Western pipe and compressors have helped the Russians reduce construction and installation costs and increase operating productivity through higher pressures and fewer leaks and breakdowns.

● Vehicles. The stress on mass production of rigidly standardised models for long periods has made innovation sluggish. Thus, the modernisation of the car industry in the late 1960s and early 1970s was achieved with a lot of foreign help — Fiat with the Lada (known in the Soviet Union as the Zhiguli), Renault with the Moskvich and various Western firms with the Kamaz range of trucks.

All the signs are that Moscow is again turning to the West for an updating of its car industry in the late 1980s.

● *Machine tools.* The Soviet stress is, again, on mass production of highly-standardised general purpose machine tools of relatively simple design. Mr Bornstein says: "Users have little influence on the quality of design of machine tools allocated to them by supply agencies." In the West machine tools are more specialised and tailored to customer needs. Because of this, Western machine tool imports have played a big part in the construction and operation of Western-built turnkey projects in the Soviet Union, and will presumably do so in the future.

The Soviet Union may be a big buyer, but is not a rapid absorber, of Western technology. One survey of UK and West German firms supplying complete chemical and machine tool plants to the Soviet Union showed an average of between six and seven years from the initial Soviet inquiry to the commissioning of a plant—three to four years longer than in western Europe. Of this difference, between nine and 10 months was due to a longer negotiating period, complicated by the separation, on the Soviet side, of the foreign trade organisation (contract negotiator) and branch ministry (end user).

More significant were the subsequent delays caused by lengthy Soviet inspection of equipment in the exporter's country, and by standard Soviet problems with labour, material inputs and transport. Relatively little is known about how widely and rapidly Western technology is diffused later on, beyond the "showcase" sites of turnkey projects, to the rest of Soviet industry. But it appears that the rate of technology diffusion and innovation, is slower than in the West.

A vicious circle seems to be at work. The Soviet Union has benefited from western technology — by one estimate it added a half percentage point to the overall Soviet growth rate of the 1970s; by another, fertiliser in Western-built plants accounted for up to 2 per cent of net agricultural output; and by a third, the Fiat-built car plant at one point (1978) accounted for 57 per cent of total Soviet car output.

But better use of western technology could have been made if the Soviet economy were more innovative. Since it is not, it has to rely significantly on imported know-how. But these imports depress or dampen research and development.

The Transfer of Western Technology to the USSR, by Morris Bornstein; OECD, Paris 1985.

Deal on 3-D TV graphics

THE Luxembourg Government has signed an agreement with two private companies to set up a studio for the production of three-dimensional television graphics.

The project, dubbed Cerise, is one of 26 pioneer schemes in the West European research drive, Eureka, aimed at boosting Europe's output of marketable high-technology goods to rival the US and Japan.

CONSTRUCTION CONTRACTS

Dwellings in the north

Northern-based companies in LONDON AND NORTHERN GROUP have been awarded contracts worth £3.78m in the north of England and southern Scotland. Border Engineering Contractors will erect 29 flats for Hanover Housing Trust in a contract worth £803,788 and, for Copeland Borough Council, will carry out three contracts worth over £1m for the erection of 30 dwellings at Cleator Moor, 13 bungalows near Whitehaven and the revitalisation of 30 houses at The Gardens, Coach Rd, Whitehaven. Alterations and extensions will be made to the mentally handicapped unit at Duns in Borders region for the Borders Health Board, Melrose, in a £238,858 contract for Roxburgh District Council. North West Buildings Preservation Trust has awarded a contract for £224,022 for restoration work at Cockermouth and site preparation for Tweedale District Council at Peebles provides a £130,000 contract. For £125,932, Border will erect five bungalows at Distington for North Housing Association, Maryport, and a further 10 flats at Eaglesfield, Maryport, in a £198,303 contract for Impact Housing Association, Workington. A building for pre-packed goods will be erected for Cavanagh & Gray in Carlisle for £103,800 and three contracts for £160,000 will see pipework at Corbridge, Northumberland, for Newcastle and Gateshead Water Board, access roads to Millom Quarry for Eskett Quarries and window replacements at Cumbria College, Whitehaven, for Cumbria County Council, Carlisle. A subsidiary company of Border Engineering, Wm Huddleston & Sons, has two contracts from Lancaster Health Authority worth £144,115 in respect of Catton Health Centre and work on Lower Priory Hall, both in Lancaster. In north east England, John Crossland will do factory extensions for Joshua Ellis for £100,000 and G. W. Lazenby & Co will erect six bungalows for easington District Council and establish a microtechnology centre for Durham County Council in two contracts worth £205,000.

Good start for Ernest Ireland

More than £11m-worth of new contracts adds up to a strong start to 1986 for ERNEST IRELAND CONSTRUCTION, Bath, part of the Mowlem group. The biggest award, worth nearly £2m, is for a new building at Bath University to provide accommodation for the School of Engineering and Architecture and for general teaching. The four-storey building will comprise structural testing laboratories, workshops, lecture theatres, work rooms, studio, staff and administration buildings. Construction will be of reinforced concrete frame with Bath stone cladding, aluminium frame windows and a pitched roof with aluminium north lights. Completion is scheduled for summer 1987.

At Aztec West, a 160-acre business park next to the M5 to the north-west of Bristol, the company is building a distribution warehouse under a £1.7m contract for Electricity Supply Nominees. The warehouse, which will be leased by Wiggins Teape, will have a steel frame clad with self-coloured profiled metal sheeting and offices clad in curtain walling. Completion is due in September.

In South Wales, Ernest Ireland's Llanelli-based subsidiary, Isaac Jones Construction, has been awarded two contracts. At Bridgend there is a £1.3m contract to build a production base, with offices, for Commercial Acoustic Products, a wholly-owned subsidiary of SAS Group Holdings. At Enterprise Park, Swansea, Isaac Jones has a £750,000 contract for the Rainbow Business Centre which will provide fully fitted out workshop and office accommodation. The client is Enterprise Zone Developments. Part of the site will have ground treatment by the vibrocompaction technique carried out by Soil Mechanics, another member of the Mowlem group.

Ladbroke Hotels have awarded Ernest Ireland a contract valued at £930,000 for complete refurbishment of the Royal Berkshire Hotel at Sunninghill in Berkshire. The work includes reconstruction of the leisure wing and is designed to bring the hotel up to four-star standard.

Refurbishing listed building in Mayfair

LOVELL FARROW CONSTRUCTION has won a £5m contract to refurbish the Grade II listed building and construct residential units, offices, car park and sports club at 41-43 Brook Street, W1, in London's Mayfair.

The work is to be carried out for Wheatsheaf Investments on behalf of Grosvenor (Mayfair) Estate. Both companies are wholly-owned subsidiaries of the Grosvenor Estate.

Work has started under a 69-week programme. In the listed building, the ceilings and joinery are to be retained while the interior is extensively refurbished. The new six-storey building in Brook Mews will be connected by a link block featuring an observation lift, overlooking an integral courtyard.

When complete, the buildings will provide about 25,000 sq ft of air-conditioned offices with eight residential units. There will be a covered car park, while in the basement, a private sports club will include a heated swimming pool and two squash courts.

Work on the site will be restricted as it is next to Claridges, which adjoins a party wall. The new structure will have a reinforced concrete frame, clad in brick and topped by a slate-covered mansard roof.

The brook, from which both the street and mews take their names, runs through a layer of ballast only 1.5 metres below ground level. This high water table will be contained by a complex series of groundworks prior to the start of construction.

Shepherd Construction wins work worth £5m

Three contracts with a combined value over £5m have been secured by SHEPHERD CONSTRUCTION. A project to build servicemen's married quarters, comprising 74 dwellings together with 37 garages, for the Property Services Agency (PSA) of the Department of the Environment, at Catterick Garrison, North Yorkshire, is the largest of the three contracts. The contract, worth over £2.6m, is due for completion in March 1987. Work has also commenced on the modernisation of 104 houses, plus the conversion of two houses into four flats and the partial modernisation of a further house, at Whinney Banks, Middlesbrough. The £17m project is being undertaken for Middlesbrough Borough Council and completion is due in August 1987.

Shepherd built South Cleveland General Hospital, Middlesbrough, for Northern Regional Health Authority and is currently building the hospital's new maternity unit and pharmacy. The £1m additional contract covers five blocks of three-storey residential accommodation for hospital staff.

Strengthening Dubai quays

COSTAIN DUBAI, a joint venture comprising Costain International and H E Humaid bin Drai, has been awarded a £2m contract by the Port of Authority of Jebel Ali for the modifications of quays 7 and 8 at Jebel Ali Port, Dubai, United Arab Emirates. The contract calls for strengthening of the existing mass concrete block quay walls, by constructing a reinforced concrete relieving platform behind, and over the quay walls. The platform will be supported by the quay walls and bored piles. The work will require the demolition of around 6,500 cu metres of existing reinforced concrete capping blocks, driving over 300, 900 mm diameter bored and cast in-situ piles, and placing 10,000 cu metres of reinforced concrete. The contract is due for completion in September 1986.

★

FORD AND WESTON, Nottingham, has won contracts totalling £5.5m. Work has started on three projects, including a £3.4m contract for Trent Regional Health Authority for a boiler-house and preliminary works in phase three development scheme at King's Mill Hospital, Sutton-in-Ashfield; phase one of Balloon Wood development for Nottingham City Council, involving 50 homes, worth £1.45m, and a £650,000 extension and renovation scheme at Greater Nottinghamshire Co-operative Society's store in Kirkby-in-Ashfield.

★

MATTHEW HALL NORCAIN ENGINEERING, Manchester, has been appointed by Shell (UK) to carry out further project management and design service contracts at the Stanlow site. Work comprises a combination of new plant and equipment designed to expand production, plus modifications to existing facilities, whose capital value will amount to some £28m.

Company Notices

NOTICE OF REDEMPTION

HYDRO-QUEBEC

CAN$50,000,000

16½% Debentures, Series ET, due March 15th, 1989

NOTICE IS HEREBY GIVEN THAT Hydro-Québec will redeem on March 15th, 1986 all the 16½% Debentures due 1989 at a price of 101% of the principal amount together with interest on such principal amount accrued and unpaid to the said date of redemption.

The redemption price on the said Debentures shall be payable on presentation and surrender thereof with all unmatured coupons at any one of the following Paying Agencies:—

Bank of Montreal
9 Queen Victoria Street, London EC4N 4XN, England.

Bank of Montreal, Main Office
119 St. James Street West, Montreal, Quebec H2Y 1L6, Canada

S. G. Warburg & Co. Ltd.
33 King William Street, London EC4R 9AS, England

Kredietbank N.V.
7 rue d'Arenberg, 1040 Brussels, Belgium

Kredietbank S.A. Luxembourgeoise
Case Postale 1108, Luxembourg

Commerzbank A.G.
32-36 Neue Mainzer Strasse, Postfach 25-34
D-6000 Frankfurt (Main) 1, West Germany

Swiss Bank Corporation
1 Aeschenvorstadt, CH-4002 Basle, Switzerland

Bank, Mees & Hope N.V.
548 Herengracht, 1000-NL Amsterdam, Netherlands

Société Générale
29 Boulevard Haussmann, 75009 Paris, France

DEBENTURES SHOULD BE SURRENDERED with all coupons appertaining thereto maturing after the date fixed for redemption, failing which the face value of any missing unmatured coupon will be deducted from the sum due for payment.

Any amount so deducted will be paid against surrender of the missing coupon within a period of 10 years from March 15th, 1986. From and after the date fixed for redemption, interest on the Debentures will cease to accrue.

HYDRO-QUEBEC

Dated: February 10th, 1986

COMMERZBANK

AKTIENGESELLSCHAFT

RIGHTS OFFER 1986

With the approval of the Supervisory Board, the Board of Management of Commerzbank Aktiengesellschaft (the "Company") has resolved to increase the share capital of the Company by DM. 150,000,000 from DM. 887,574,250 to DM. 1,037,574,250. The new bearer shares of DM. 50 nominal have been underwritten at a price of DM. 300 per share by a banking consortium which is offering, at the same price:

(i) Shares of DM. 118,343,250 nominal to shareholders of the Company on the basis of 2 new shares for every 15 existing shares held in the Company; and

(ii) Shares of DM. 27,323,450 nominal to holders of warrants issued in connection with (i) the 3½% DM. Optional Bond Loan 1978 (ii) the 7% US$ Optional Bond Loan 1983, both of Commerzbank International S.A., and (iii) the 8% DM. Optional Bond Loan 1984 of the Company, on the basis of 2 new shares for that total number of warrants held which give a right to subscribe for 15 shares of DM. 50 nominal in the Company.

The new shares, which rank for dividend as from 1st January, 1986 are being offered on the terms of the Company's announcement dated January 1986. Copies of the Company's announcement with an English translation thereof are available on request at the offices of the London Subscription Agent, S.G. Warburg & Co. Ltd.

Application for admission of the new shares to the Official List will be made to the Council of The Stock Exchange, London, at the same time as the new shares are listed on the Stock Exchanges in Germany, which is expected to occur in May 1986.

LONDON DEPOSIT CERTIFICATES

Holders of existing bearer shares which are represented by London Deposit Certificates, may request S.G. Warburg & Co. Ltd. as Depositary, to exercise the *subscription rights attaching to the shares and issue fresh certificates in respect of new* shares subscribed, on payment of 10p. per Certificate.

In the absence of such request, the Depositary will dispose of the subscription rights attaching to the deposited shares and will distribute the net proceeds to the holders of the Certificates in proportion to their holdings.

PROCEDURE IN THE UNITED KINGDOM

Shareholders and warrantholders in the United Kingdom wishing to exercise their subscription rights must lodge the following at the office of the London Subscription Agent detailed below during the subscription period from 3rd February, 1986 to 18th February, 1986 inclusive between 10.00 a.m. and 3.30 p.m.:-

London Deposit Certificates for marking — Square No. 8
Bearer Share Certificates — Coupon No. 45

Warrants in respect of:-

3½% DM. Optional Bond Loan 1978 — Receipt A
7% US$ Optional Bond Loan 1983 — Receipt A
8% DM. Optional Bond Loan 1984 — Receipt A

The above documents should be delivered to the London Subscription Agent as follows:-

S.G. Warburg & Co. Ltd,
Bond Department,
33 King William Street,
London EC4R 9AS

where lodgement forms are obtainable.

Payments must be made in full on application. Temporary Receipts will be issued.

Subscribers wishing to make payment in Sterling should agree the applicable rate of exchange with the London Subscription Agent.

Subscribers will be advised at a later date when the new London Deposit Certificates/Share Certificates are available to be exchanged for Temporary Receipts.

S.G. Warburg & Co. Ltd.
London Subscription Agent and Depositary

10th February, 1986

NOTICE OF PURCHASE

BEI EIB

European Investment Bank

11¾% US$80,000,000 Bonds of 1980, due 15th January 1992

Pursuant to the terms and conditions of the Loan, notice is hereby given to Bondholders that, during the twelve month period ending 14th January 1986, US$1,600,000 principal amount of such Bonds were purchased in satisfaction of the relevant Purchase Fund obligation.

The outstanding amount on 15th January 1986 was US$64,000,000 principal amount.

EUROPEAN INVESTMENT BANK

Dated: 10th February 1986

STANWICK INTERNATIONAL CORPORATION S.A.

Registered office:
LUXEMBOURG, 14,
rue Aldringen
RC Lux 13.142

NOTICE TO SHAREHOLDERS

The annual meeting of shareholders held on 3rd February, 1986 has approved a distribution of

US$17.25 per share

by way of repayment of paid-in surplus and retained earnings. Such distribution being payable on or after 17th February, 1986 against presentation of coupon No 1 from bearer share certificates at:

Banque Générale du
Luxembourg S.A.
27, avenue Monterey
Luxembourg
Interallianz Bank Zürich A.G.
Stadthausquai 1
Zürich
Switzerland

Shares will be quoted ex-dividend as from 17th February, 1986.

By order of the Board of Directors

UK NEWS

Kuwait warns on N. Sea output

By Dominic Lawson

SHEIKH ALI Khalifa Al-Sabah, the Kuwaiti Oil Minister, yesterday called on the UK to cut its North Sea oil output by at least 300,000 barrels a day (b/d).

He said on television that unless such measures were taken there was a "real risk" that the Organisation of Petroleum Exporting Countries (Opec) would collapse, causing a further fall in world oil prices and "tumbling revenues" for the UK Exchequer.

Britain produces 2.6m b/d, but even under the most extreme interpretation of existing legislation the Government could not make operators cut back by more than about 200,000 b/d. However, the Government has steadfastly refused to call for any such cutbacks, believing that it is up to operating companies to decide how much they want to produce.

But the other main North Sea producer, Norway, is showing signs of co-operating with Opec. Yesterday the Norwegian Oil Minister, Mr Kaare Kristiansen, flew to Geneva for a meeting with his Venezuelan opposite number, Dr Arturo Hernandez Grisanti, the president of Opec.

Norway, which produces 1m b/d said previously it would not cut output to assist Opec unless other producers, especially the UK, also cut back.

But the Norwegian decision to hold talks on neutral ground with the Opec president suggests it is beginning to reconsider its hands-off policy.

During the past two months the oil price has almost halved to about $17 a barrel.

OPEC ADVISER FORESEES OFFSHORE COST CRISIS

Oil price nears 'intolerable' level

BY DOMINIC LAWSON

COMPANIES operating in the North Sea suffer "intolerable" economic hardship when crude oil prices fall below $15 a barrel, according to a paper delivered yesterday by Mr Nordine Ait-Laoussine, a leading adviser to members of the Organisation of Petroleum Exporting Countries (Opec).

The cost of running North Sea fields ranges between $1 and $11 a barrel, but the companies operating in the North Sea will be squeezed financially long before prices fall to the level of operating costs, argues Mr Ait-Laoussine, a former vice president of Sonatrach, the Algerian state oil company. Future deliveries of Brent, the main North Sea crude, are now available at less than $16 a barrel.

The paper was delivered at a top level oil seminar, held annually at the isolated mountain village of Sanderstoelen in Norway, which is attended by a number of senior officials from the British and Norwegian governments.

Mr Ait-Laoussine argued that as North Sea prices decline the burden is shifted progressively from government to the companies operating. When prices drop rapidly the tax liability – 80 per cent at the margin – may be extremely high relative to the cash flow.

That is because most North Sea taxes are paid in arrears. Government revenues are higher because they are supported by higher past prices. But the situation for the company net cash flow is worse, as it has to meet a tax bill based on last year's prices from this year's reduced revenue, argues Mr Ait-Laoussine.

Mr Ait-Laoussine produced tables which claimed that at prices below $15 a barrel companies would face a temporary negative cash flow, even on production from Statfjord, the largest North Sea oilfield. That would happen because the tax bill on last year's production would outweigh current cashflow from the field.

Saudi Arabia and Kuwait, two leading members of Opec, appear ready to let prices drop to $10 a barrel or below, in order to push the UK to agree production cuts to give Opec a bigger share of the oil market.

But the UK Government is adamant that it will not cut back North Sea output, and no oil company has yet approached the Government with a request to cut back its own North Sea output.

The main Opec hawk, the oil minister of Kuwait, Sheikh Ali Khalifa Al-Sabah, has said that prices will fall below $10 a barrel if non-Opec producers, such as the UK, do not co-operate with the organisation.

Ladbroke to expand publishing role

BY RAYMOND SNODDY

MR CYRIL STEIN'S Ladbroke Group is planning a substantial move into publishing which could turn into the "fourth core" business the company has been seeking to add to its interests in betting, hotels and property.

Mr Stein, the Ladbroke chairman, said yesterday: "We are in the market for medium-sized publishing businesses but at prices which give us an acceptable rate of return."

He was speaking after Ladbroke had exchanged contracts on a deal to buy 75 per cent of Senews, a publishing and printing company that publishes 17 free and paid for local newspapers in Sussex, Surrey and Kent, southern England, and 30 specialist publications and guides.

Ladbroke will pay £6.1m for the Senews stake although £1.3m of that is dependent on the company meeting its £1.65m profit forecast for the 1986 financial year. Ladbroke is also making available to Senews as part of the deal a £1.6m long-term low-interest loan.

The purchase is Ladbroke's largest investment in publishing so far. "We do see our publishing interests as producing a substantial contribution to group profits by 1988," Mr Stein said.

Apart from buying new businesses, Mr Stein said Ladbroke's existing publishing businesses would grow organically through the introduction of new titles and by acquisitions in their respective markets.

Although Mr Stein is watching the Fleet Street newspaper revolution with interest, it is believed that Ladbroke has no plans to launch a national newspaper and instead will expand its publishing interests gradually.

Mr Robert Breare, chairman of Senews, whose titles have a weekly circulation of more than 500,000, will stay on as chief executive with a 12.5 per cent stake.

Other Senews executives will hold 7.5 per cent and Mr Phillip Davies, chairman of Home & Law, Ladbroke's publisher of free consumer magazines, will become chairman of Senews with the remaining 5 per cent of the shares.

SE studies move on inflation auditing

THE STOCK EXCHANGE is considering the introduction of guidelines to allow for the impact of rising inflation in the auditing of company accounts, writes Alice Rawsthorn.

Over recent months the issue of inflation accountancy has flared again. The Accounting Standard Committee recently rejected a proposal that making allowance for inflation should be imposed on auditors by statute. The stock exchange's proposed guidelines would effectively replace that statute.

□ BARRISTERS have voted to refuse to accept criminal prosecution briefs from April 1 unless a fee is agreed which gives them "fair remuneration." They are to apply to the High Court for an order to take action against the Government on the grounds that it is failing to fulfil its statutory duty to pay barristers fairly.

□ THE OVERALL state of order books within the UK's civil engineering contractors industry has improved over the past few months, but the recovery has been achieved by small and medium-sized companies, says a survey by the Federation of Civil Engineering Contractors.

□ NOMURA SECURITIES, one of the world's largest investment houses, has applied for full membership of the London Stock Exchange. It is the first Japanese investment group to do so.

□ LONRHO chief executive Mr "Tiny" Rowland, yesterday denied a report that he had dropped a $100m lawsuit against the Al-Fayed brothers for defamation.

Call to privatise higher education

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT should have the courage of its convictions and privatise all degree-level education, says a report today from the Adam Smith Institute – an independent body promoting free-market policies.

It accuses Sir Keith Joseph, Education Secretary, of planning to increase state control of universities, polytechnics and further education colleges in a direct contradiction of his and his ministerial colleagues' professed commitment to cutting back the role of the state.

The Government's efforts to bring the higher education system into line with Britain's needs are doomed to failure, it says, unless ministers recognise that a root of the problem is the system's "near total dependence on public money, leading to lack of freedom, a lack of choice and an absence of responsibility."

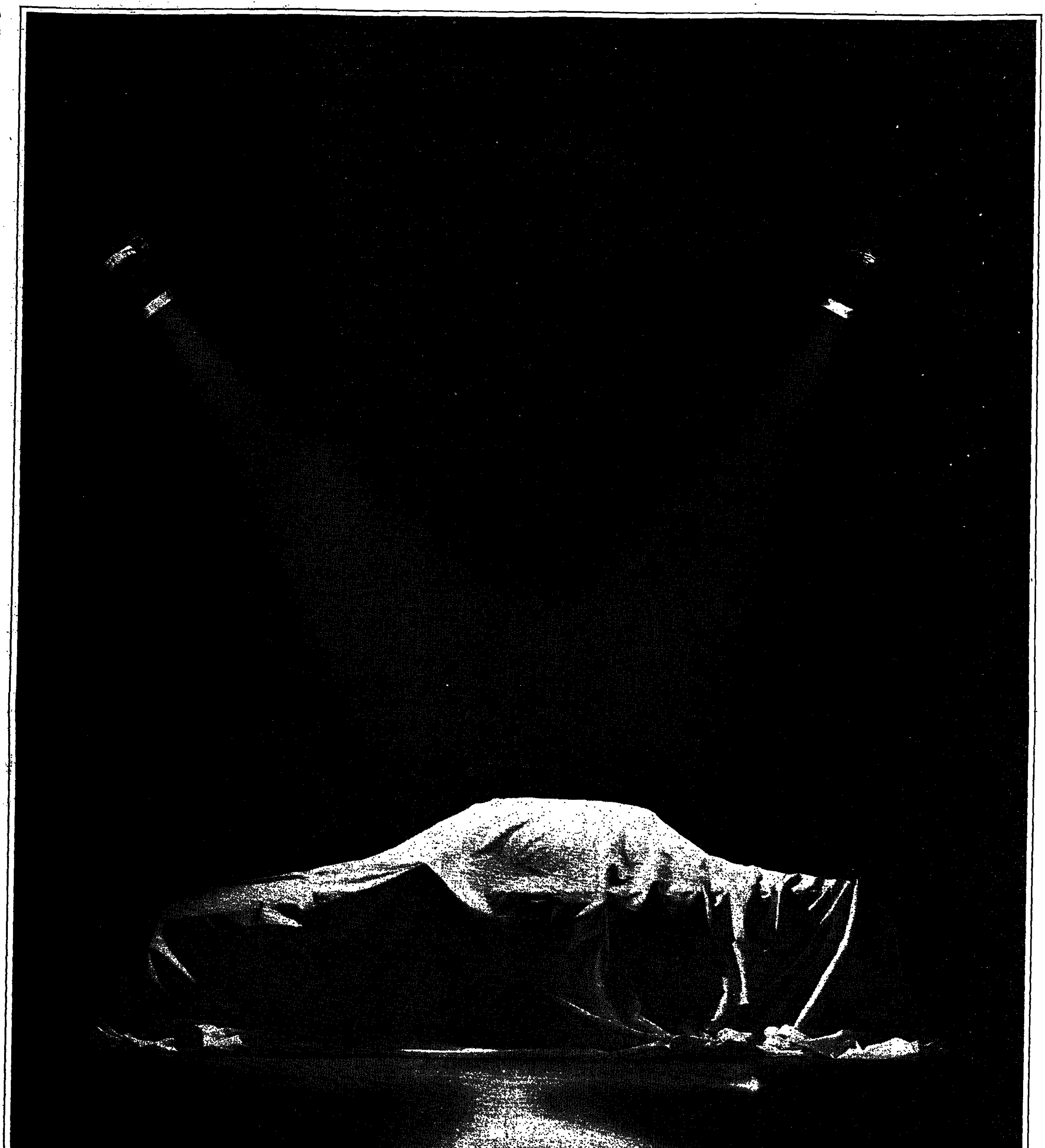
The report calls for urgent reversals of present policy including:

- Freedom for anybody to start new degree courses or even set up organisations calling themselves universities. "Degrees now cover such a wide range of areas and types of study in so many different kinds of institutions that there can be no real grounds for objecting to anyone being allowed to issue them."
- Insistence that all higher educational institutions should finance their courses entirely by charging fees which central government and local authorities, like anybody else, would be free to pay on behalf of students where a sufficient case could be made for it.
- Abolition of all academics' rights to career-long job security. Sir Keith's plan to abolish only for dons who are newly appointed, or change jobs, would deter the best from seeking promotion and "retain security for precisely those whom a university might well wish to make redundant."
- Change of present methods of financing students and research.

Outright grants supposed to cover all students' costs should be replaced by either vouchers or loans, the report says.

Loans might be too much of a deterrent, at least initially, if they had to cover the full cost of a degree course, which varies from about £17,000 to £50,000. If they had to be supplemented by a grant, however, it should cover only the student's living costs, leaving tuition fees to be raised by borrowing.

University Challenge, by Douglas Mason. Adam Smith Institute (PO Box 316, London SW1P 3DJ). £9.



UK NEWS

Heseltine and Tebbit clash

BY KEVIN BROWN

MR MICHAEL HESELTINE, the former Defence Secretary, yesterday clashed openly with Mr Norman Tebbit, the Conservative Party chairman, as the two men set out starkly different views of the future of Mrs Thatcher's Government.

Mr Heseltine won a standing ovation from the Young Conservatives' conference in Blackpool for a strongly interventionist speech in which he called for a new industrial policy to be co-ordinated by an expanded Department of Trade and Industry (DTI).

There was a far bigger ovation for Mr Tebbit, however, who mounted a strong defence of the Prime Minister and the Government's record, and warned that only disloyalty could prevent a Conservative victory at the next general election.

In his first major speech since resigning from the Cabinet over the Westland affair, Mr Heseltine called for a "sense of reality" about the scale of national decline, which he said was easier to spell out from outside the Government than from within it.

The tone of his speech was set by a clarion call to a crusade for "caring capitalism," in which privilege would be countered by responsibility and compassion.

Mr Heseltine called for a debate about the means through which the strength of manufacturing industry could be restored and urged the Government to build on the high technology Alvey, Esprit and Eureka schemes for partnership with industry.

He called for a new impetus for industrial policy under which "a quite different scale of opportunity should be given to the DTI." Industrial support policies administered by half a dozen government departments should be drawn together, including those at the Defence Ministry, he said.

"There was no advanced country in the world where there was anything but the closest relationship between government and industry.

"Major world markets today are fought for not just by private companies alone, but by governments and private companies in partnership. We all know it. For goodness' sake let us make a success of it" he said.

Mr Tebbit ignored a weekend plea by Mr John Biffen, the Leader of the House of Commons, for Conservative leaders to tone down the "language of conflict." He repeatedly ridiculed opposition leaders and labelled Labour "the primrose path to serfdom."

Mr Tebbit dismissed the Westland affair as "a storm in an egg cup." He poured scorn on suggestions that the Prime Minister had been at fault, insisting that she was guilty of nothing. "It is time to put all this argument behind us," he said.

Mr Tebbit said there was no one to take Mrs Thatcher's place and praised her efforts in confronting national failure and decline, which had turned strike-prone Britain into the fastest growing economy in Europe.

The opposition parties had never succeeded in the last six years in doing the Conservatives any damage, except "where they have scratched at our self-inflicted wounds."

He told cheering Young Conservatives: "Loyalty means standing together. It means one party and one nation. If we stand together, if we are loyal to each other, nothing can stand in the way of our victory at the next general election."

The conference itself was a robust battle between the "wet" and libertarian factions of the Young Conservatives, with the left probably finishing ahead on points.

One side effect of this battle was that Mr Tebbit had to intervene to frustrate a right-wing attempt to prevent Mr Heseltine speaking on procedural grounds.

Government determined to sell BL trucks unit

By Peter Riddell

THE GOVERNMENT is determined to press ahead with the sale of BL's trucks subsidiary to General Motors (GM) of the US, despite the opposition of some Tory MPs to the inclusion of Land Rover.

Ministers believe that Land Rover's future can best be secured by becoming part of GM, which has worldwide marketing and financial resources to back a sales and investment expansion.

The official hope is that an agreement can be concluded within a couple of months.

It is also clear that GM regards Land Rover as an integral part of the deal.

The UK Government, however, wants assurances that Land Rover will retain a British identity in its marketing and appearance.

After Thursday's House of Commons statement by Mr Paul Channon, the Trade and Industry Secretary, which announced the end of talks over the possible sale of Austin Rover to Ford of the US, some Tory MPs still protested at the continuation of talks about Land Rover with GM.

Mr Anthony Beaumont-Dark, a Conservative MP, has accused the Government of panicking in the face of GM and said there was no need for Land Rover to be "thrown in as a sweetener" in the deal.

Mr John Taylor, another Conservative MP, who has 8,000 Land Rover workers in his constituency, stressed the need for explicit guarantees in any deal to protect jobs and to ensure that more than 80 per cent of the components used in manufacture should be British-made and that research and development should stay in Britain.

The Department of Trade and Industry will later this year have discussions with BL, the UK's only remaining volume car group, about the future funding of Austin Rover.

The official line is that the situation is back to where it was before the Ford talks started. The £1.5bn Varley/Marshall assurances to back up BL's borrowing are still in place, although no money has been provided by the Government for two years.

Kinnock puts production first

BY PETER RIDDELL

MR NEIL KINNOCK, the Labour leader, yesterday sought to broaden the party's appeal beyond committed Socialists by stressing the priority of increasing production and by himself accepting part of the mantle of former US President Franklin Roosevelt.

In what were regarded by his aides as keynote remarks setting the tone of Labour's pre-election campaign, Mr Kinnock sought to unite a moral and practical appeal.

In line with a series of major speeches by Labour leaders, Mr Kinnock said increased production would be the first priority for a future Labour Government, with redistribution in a supportive, secondary role.

Interviewed on London Weekend Television, Mr Kinnock eagerly took up a suggested comparison with US President Roosevelt, who inaugurated the New Deal approach in the 1930s.

The Labour leader stressed the "common sense of it" and specifically referred to a "new deal and new attitudes."

Speaking as a "committed democratic Socialist," Mr Kinnock said it was foolish to pretend that all potential Labour supporters would share this view. Voting, he said, was not baptism.

Mr Kinnock's remarks reflect the Labour leadership's strategy of highlighting the practical aspects of the party's appeal, particularly aimed at reducing unemployment. That will also form the main theme of Labour's party political broadcast on February 18.

In his interview, Mr Kinnock several times stressed that socialism was a "productionist creed" and that wealth had to be generated to permit redistribution. That is intended to answer the criticisms made about the party's 1983 election programme, that Labour's promises did not appear feasible.

Mr Kinnock said there were no plans to increase the standard or basic rate of income tax. He argued that he had "no interest" at all in putting an extra slab of taxation on those of average earnings or even above average earnings; certainly not on those below. But there are people on the highest incomes, four or five times average earnings, who have had a great deal from Mrs Thatcher."

Mr Kinnock said higher taxes would be expected from the 4 to 5 per cent of workers in the income band earning more than £30,000. He also admitted that it might take at least 10 years to reverse the decline in Britain's manufacturing base.

Leisure sector meets on development plan

BY HAZEL DUFFY

THE IMPORTANCE of leisure to the British economy will at last be recognised when a meeting of representatives from the industry, trade unions, government and other interested parties takes place today at the National Economic Development Office (Nedo).

They will be asked to back a Nedo proposal to set up an economic development committee (EDC) for leisure and draw up a programme. A leisure EDC would, go some way to redress the predominance of manufacturing industry, and engineering in particular, in the EDC network.

Out of 40 EDCs, only the distributive trades represents the services sector — although several of them have service interests — reflecting the structure of industry in the early 1960s, when the National Economic Development Council was set up.

One of the programme's first tasks will be to define the industry, a priority demonstrated by the wide range of interests at today's meeting.

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12½%	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp.Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13½%
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchants Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 9.30%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

¶ Mortgage base rate.

§ Demand dep. 8¾%. Mortgage 13⅜%.

NO OTHER AIRLINE TO MIAMI GIVES YOU THIS MUCH ROOM.

If you have got business in the USA, you have no business leaving your other half behind.

Because on our route from London/Gatwick to Miami we're offering a deal that is ideal for two.

For flights from now until 31st March, buy a First Class or an Executive Class return ticket and we'll give you another, free.

And where better to mix business with pleasure than the 'Sunshine State'?

The Everglades, Walt Disney World, EPCOT CENTER, The Florida Keys, Sea World, and that's not even a short-list.

In fact, with so much to see, you may be tempted to linger longer.

If so, you will want to take advantage of the other special offer we have arranged.

A mere £88 each gets you 4 flights, to a choice of 109 destinations throughout the USA and Canada.

Additional flights cost only £25 each and the offer covers travel which commences before the 21st March.

But saving money isn't the only reason to fly Eastern.

Naturally we know Florida best because Miami is our home town.

Not that anyone could ever call us a local airline.

Quite the opposite.

At Eastern we operate a larger fleet than both TWA and Pan Am put together.

And we fly to more cities in more countries in the Americas than any other airline.

Which shows we have a good deal more to offer than just a free seat.

EASTERN
The wings of the Americas

FOR FURTHER INFORMATION CONTACT YOUR LOCAL TRAVEL AGENT OR CALL EASTERN AIRLINES ON 0293 517622.

THE ARTS

Architecture/Colin Amery

Private practices are pointing the way

The progress and development of contemporary architecture is a slow and haphazard business. In England, as public commision decline and the local authority architect becomes a rare species, it is to the smaller private offices that one looks for signs of artistic and stylistic advance.

Singling out the rising stars and keeping track of their international perambulations is a risky business. I feel, however, that it is timely to examine a series of smaller British practices—the sort that are not too grand to add a conservatory on to your house and yet are not too small to undertake an office block or a feasibility study for a leisure park.

It is at this level that the majority of us are conscious of the profession. To call them everyday architects is not derogatory. In all the arts the practitioner's main concern should be to affect our everyday lives, to make us see that a gifted designer can improve the most mundane activities.

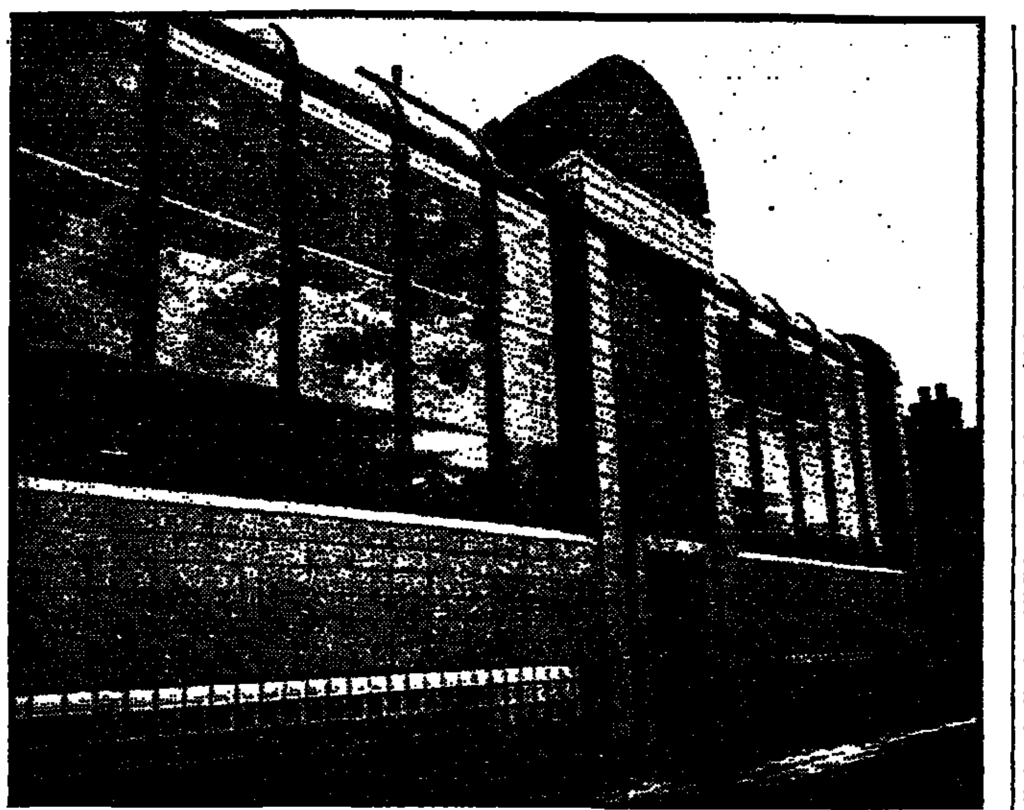
I felt this subtle level of quiet competence when I first visited the Camden Town offices of the Renton Welch Partnership. This is a smallish firm employing some dozen architects. They start off with one enormous advantage—they have designed their own small office building and so prospective clients can see at once what they are getting.

The pedigree of this 10-year-old partnership is reliable. John Renton and Tony Welch trained together in London and seem like archetypal British architects. Between them they worked for Arup Associates, Building Design Partnership, Ahrends Burton and Koralek before setting up a partnership in 1974.

They would be the first to admit they do not represent the wilder shores of architectural design. When they built a pair of houses for themselves in the inevitable north London mews the results were *highly* practical exercises in maximising space on a small site. In appearance they could have been only architects' houses: white painted exposed brick walls and pine ceilings, with furnishings strictly of the approved Modern Movement school — bentwood, Breuer and black leather sofas. There is something curiously hermetic about architects—their design world is shared to the full only by other modern architects. There must be a hundred mews houses in north London alone that look like these—and 99 of them will be inhabited by architects. Perhaps it is not surprising; there are, after all, more architects in the London borough of Camden than there are in New Delhi.

What do you look for in a small practice? First of all experience. This is something that Renton Welch have in abundance, from competitions for schools to schemes in the Middle East. From a small firm this experience is of value only if it is combined with a sense of very direct design applied personally to every project.

Their own offices in Stucley Place, Camden Town provide six studio spaces on three floors, some of which are let independently. They share the central stair in a broad space well lit by a wall of glass bricks. From the outside this stylish little building distinctly brightens the dreary London backstreet. It is symmetrical around the giant front door, on either side of which are louvred walls of glazing that curve at the top. At street level there are high cills for security and the finishes are a glazed concrete block that can be easily washed down. The facade with its vaulted centre is cool and elegant. The planning is intelligent and the atmosphere of the studios is agreeable, even on a mid-winter's day. The price too is good—at £45 per square foot these are economical examples of good design.



Alan Harper

New studios in Camden Town for the Renton Welch Partnership—"brighten a dreary backstreet."

Another recently completed example of this firm's work is the new Benhilton Primary School at Sutton in Surrey which they won in a limited competition. It is agreeably domestic in scale with pitched roofs and a clock tower and the main uses of the school buildings separately identified. Colour has been applied to gables and tower. When the *landscaping has grown it will* be a humane and approachable school.

At Shepperton the firm has the contract for the complete renewal and redevelopment of the film studios. It is a seven year project designed to produce Europe's leading film studios. The masterplan layout of this multi-million pound development looks set to create a campus of facilities connected by high level pedestrian links which will provide sheltered routes through the site. To the outside world the new Shepperton will present a post-modern style around the entrance. Inside is a world that demands an efficient blandness within which to create the illusions of the cinema.

Private houses are a natural source of work for a firm that *is small enough to spend a lot* of time with its individual customers. I particularly like the look of a converted dairy for fine prints. An earlier work was one of the first flats to be developed in Olivers Wharf at Wapping. The demand in the City for more efficient dealing rooms and electronic offices has been met by this practice with a degree of style that is hard to achieve in such an equipment-dominated field.

I would like to see the feasibility study for a giant water park become a reality one day. At present Parad'se Park exists only in the spiral-bound pages of a report but the prospect of a fantasy world of water chutes, underwater parks and dolphinaria should appeal to a developer in the sun. It has given these architects the chance to design mountains guarded by huge black panthers and pagodas of water — all a far cry from the yuccas and white walls of Camden Town.

Maschinist Hopkins/Radio 3

Max Loppert

The latest series of Radio 3 programmes to be devised with a linking theme is the "Weimar Season." It began last Saturday with *The Threepenny Opera*, and closes next Sunday with a relay of the Wexford *Mahagonny*; between these two poles there stretches a whole array of features designed to "reflect the second half of the Weimar Republic (1925-1933)."

For all the reasons that we now know so well, this was a period of extraordinary artistic volatility, and one that would appear to offer a splendidly fertile ground for programme-making of this kind. For despite the relative nearness of the period to our own, and its supposed familiarity, there are all manner of forgotten or neglected corners within it. Of this, the broadcast yesterday afternoon of Max Brand's opera *Maschinist Hopkins* (Duisburg, 1929) afforded a startling and, indeed, riveting example.

Brand (born Lwów 1896, died Vienna 1980, for 35 years—1940-75—a US resident) is certainly a forgotten figure. The main reference books (including The New Grove but not, curiously, Grove 5) miss him out; a paragraph in Artur Holde's *Jews in Music* summarizes the tale of the opera's wide early success (100 performances in the 28-29 season), of Brand's subsequent flight from Germany, and of the somewhat shadowy status he subsequently attained in America (where latterly he took a strong interest in electronic music).

None of these dry facts gives any hint of the gripping intensity and sheer punch of *Maschinist Hopkins*. On the evidence of a first-rate studio performance, sung in Elizabeth Forbes' translation, it deserves at least as much attention as the recently-revived *Jonny spielt auf* from the same era; and, as an operatic talent nipped in the bud, Brand would seem to be one of the most substantial artistic casualties of the Nazi era.

There is a vein of topicality to the libretto and the music that may explain a little of their peculiar fascination (the black bottom and tango rhythms provide the basis for a couple of zippy high-life episodes; factory workers facing the threat of exploitation by bosses on the one hand and new technology on the other invest the tale with a particular sharp "relevance"). The influences of contemporary German cinema and theatre are strongly detectable; the anti-heroine Nell, who moves with a Wedekind-like innocence through scenes of betrayal and degradation to prostitution and violent death, is Lulu's twin sister.

But the march of fashion and the historical interest therein only takes the revival of key period works a certain distance (as the recent reappearance of Krenek's flimsy *Jonny*, with its jazz accents and Art Deco locations, proved beyond question). It is Brand's score that powers the experience with such an irresistible momentum. The creative impact on the young composer of Bartok (especially the *Miraculous Mandarin* and his dying shudders), of Weill, of the Russian "constructivist" school, is obvious—in two particularly vivid and original scenes the factory machines themselves are given eerie voice and pulsating metres to comment on mankind's treacherousness.

One also notes a fair amount of shoddy in the music, of Puccinian emotional formula noisily reworked. Yet it is the singlar merit of the piece—it is one that has always marked out the born opera-composer—that its theatrical sense is strong enough overall to support the variable quality of its component parts. I cannot wait to encounter *Maschinist Hopkins* in the theatre, where it plainly belongs. Meanwhile, showers of praise for the BBC Concert Orchestra and Chorus under Simon Joly, and for excellently characterised and sung performances by Malcolm Donnelly (Hopkins), Graham Clark (Bill), and Marie Slorach (almost too delicately musical as Nell) at the head of a large and well-chosen cast.

The Cunning Little Vixen/RAM

David Murray

Janácek's *Cunning Little Vixen* is a great little opera, but damnably difficult to realise on stage. What exactly *is* the relation between its animal personnel, which includes half the principals, and its discouraged humans? The animals are anthropromorphic as could be, which forbids treating them as ideally "natural" against whom miserably self-conscious humans should be measured; yet *something* about their stage lives must justify the Forester's final, extraordinarily moving paen to Nature real and unadorned. *One way to treat Vixen* — a relatively safe one, and maybe the best—is to take each episode at face value, quaint human parodies and all, trusting Janácek's music to do the rest. Only a few years ago the Royal Academy of Music offered just such a production, a joy to remember; their new one by John Lloyd Davies sacrifices baby, bathwater, Uncle Tom Cobley and all to a non-idea.

The non-idea seems to be that everybody involved — animals *and* people—is playing a part in a ritual event. They pick up their masks during the opening pages (and similarly, many of the scene-setting preludes later are enacted by stagehands dismantling the *previous* scene), and they all serve indifferently as chorus in what follows. Contrasting worlds are never established. Worse still, the Vixen and her Fox are masked so as to defeat visible expression; worse still, they are assigned gestures and movements of grossly Puccinian import (the happy zoological pair are made to look romantically fated even from before they meet, which is the reverse of Janácek's *intention*); worse stil, several episodes are staged so as to be incomprehensible to anyone who hasn't seen the opera in other, better versions. This Lloyd Davies production is among the worst I've seen in many years—insensitive alike to music and to story, wilful and illiterate.

Against those cruel odds, the young RAM cast disported themselves rather well on Friday. Fiona Lamont's Vixen (repeated tonight, replaced on Tuesday by Helen Mason) was strong and alert, and her Fox — the RAM respects Janácek's choice of voices — was Carol Lesley-Green, properly dignified and funny despite being dressed portly and ridiculous. Though the production did everything to suggest that the Forester was at any moment going to burst into "I must go down to the Sea again" (dreadful posturing at the end), Andrew Forbes gave him fervent authority.

Christopher Ventris's Schoolmaster displayed an enormously promising character-tenor, sharp and musically faithful, and in the less showy role of the Parson Charles Gibbs was solid. Rhodri Britton's Poacher was almost too full of Denis Lawson character (but it is an interesting voice, worth watching); among the smaller roles David Ashman as the Badger and Alison Mitchell as the hopelessly domesticated Dog made sterling impressions. The musical direction was in the reliable hands of Nicholas Cleobury, who as usual declared a close sympathy with the score as well as a knack for resolving the problems set by Janácek's fanciful orchestration. With closed eyes it would have made a most satisfying evening.

Three Storeys and a Dark Cellar/Almeida

Michael Coveney

IOU is a performance art group based in West Yorkshire that evinces an old-fashioned homeliness, a style of messing about with rusty objects, steel drums and conflakes that dates from the late 1960s and remains unadulterated by the trendy metropolitan sadistic formalism. *Three Storeys and a Dark Cellar* at the Almeida, in fact, is like a nostalgic collaboration between Welfare State (from which group IOU split in 1976) and the People Show.

Behind a stretched tarpaulin we see, in silhouette, a clarinettist and violinist. They yield to a pair of talking horse heads locked in an affable chat about the Tower of Babel. Communication and travel are established as themes: the horses set off on a journey aboard a tiny train that, with mini-lights blazing, is seen circumnavigating a large rusty tower. An air balloon is suspended from a crane. The tower moves centre stage, revolves.

Inside the tower are three cut-out levels, like storeys in a doll's house. On the top, a fellow with a beard is brewing up. Below, a chap in pyjamas is getting up. He bangs his bald head on the ceiling, puts cream on it, pours out some cornflakes, receives a cup of tea from above. He then launches into the first of three stories, about a depressed friend who bought a suit and started being rude to people until the suit rebelled. He then comes off second best in a joust with a girl on a junky tin horse. The bearded fellow dons a white coat and applies a bandage to the story-teller.

The second speech begins. "Before engaging a centaur in conversation it is wise to cancel the milk." There follows a rash of incidents involving centaurs and basilisks in the purlieus of East Grinstead; our hippie bard begins to wax philosophically anti-social — "Your skin is where you stop and the other lot starts." By the time he launches into his third story—about a day excursion to Hell in 1956—his babbling tower is an altar dedicated to staying in bed and out of the way. A knight in rusty helmet and armour introduces some clay animals into the tower along a trevelator and, in a final song, we learn that our stay-at-home adventurer loves Susan like a lobster loves the bottom of the sea.

The quirky narration has a beguiling edge to it, but it strikes me as stylistically imitative of Mark Long's People Show raps. The mechanical charms of the rusty tower do not pervade the evening (which is only 85 minutes long) and the aggressively primitivist music would be more tolerable in the open air than indoors. No attention is paid to movement or articulated expression. It all just meanders along, relying on an audience's low expectations of "images" and "sound pictures." It is not good enough, nor does it suggest that this area of community fringe theatre (the show moves on to Cardiff and Halifax later this month) shows any signs of outgrowing its smug, indulgent days of origin.

Manon/Covent Garden

Clement Crisp

Maria Almeida's début as Manon on Thursday at the Opera House was yet another step in the progress of this very able young dancer. She possesses a strong, well-rounded and easy technique. Her stage presence is marked by an air of assurance, even of maturity, and her every performance over the past two years has shown that her talent is being allowed to grow without that forcing which can so often numb a gift before it reaches its proper flowering.

In setting out choreography she brings clean articulation and elegance of manner that can, in time, fit her for the grandest demands of her art. *What seemed missing in her* first appearance as Manon—a sheltered girl stepping from the coach into the vicious world of *Régence* Paris—was much sense of an innocence that will be so swiftly spoiled. She looked entirely aware of her destiny, predisposed to the life that Lescaut and Monsieur G.M. are eager to offer her, and an unlikely candidate for the lyric effusion of des Grieux's passion.

The chain of events thus started packed something of the implicit tensions between innocence and experience. This Manon was more sister to Lescaut than an ideal love for des Grieux, and the vacillations of the second act party—where des Grieux's presence is the fly in Manon's worldy ointment—did not have the dramatic edge *that should* cut through Manon's personality as through the action. But given these reservations, Miss Almeida—with Jay Jolley as des Grieux and Stephen Jefferies as Lescaut—proposed a well-judged account of the dances, featly phrased, always musical.

It was in the last act, where all passion is spent, that she produced her most communicative dancing, first as victim of David Drew's brutish Gaoler, then storm-tossed by despair in the final duet with des Grieux. Here Manon's exhaustion of spirit and her fevered union with her lover were fine in clarity of statement and impetuosity of feeling. This first sketch of the role will admit of more emotional light and shade. But the outlines are strongly, truly drawn, and Miss Almeida has the time and the talent to fill them out.

Arts news in brief . . . .

The financial fortunes of the National Art Collections Fund have been transformed by the receipt of a bequest of just over £1m from Miss Aileen Woodroffe, of Wimborne, Dorset, who died last December leaving the NACF as her main beneficiary.

It is the largest bequest ever received by the NACF whose function is acquiring works of art for British galleries and museums. The spiralling price of such works has badly stretched the resources of the NACF, but this injection of cash could arrive just in time to keep the Bernini bust of Archbishop dal Pozzo of Pisa in the UK.

The V & A attempted to organise an appeal for the Bernini, and received a donation from the NACF, but it was unable to raise the £3m needed. If another institution, such as the National Gallery of Scotland, takes up the torch, Miss Woodroffe's gift could make all the difference.

A.T.

★

Barclays Bank is to continue for the sixth year running its £150,000 sponsorship of the Royal Opera House opera and ballet companies. Mr Peter Leslie, Barclays' chief general manager, announced the renewed commitment to sponsorship on the eve of the Sadler's Wells Royal Ballet's departure for its American tour.

The tour takes in six cities in the US—Boston, New York, Cleveland, Miami, Sarasota and Clearwater—and then moves to Mexico City, Caracas, and Rio de Janeiro.

Barclays will also be sponsoring a visit by the Royal Ballet to the Vancouver Expo exhibition in July.

Cleveland Orchestra—2/Barbican Hall

Dominic Gill

On this page last Thursday morning, after the first of the Cleveland Orchestra's two London concerts, Max Loppert reported — with reservations — a revival of the orchestra's fortunes under their principal conductor Christoph von Dohnanyi, who succeeded Lorin Maazel in 1984. After their second concert on Thursday evening, there were still greater reservations. The Cleveland's rich, comfortable sound was merely complacent in Mendelssohn's Italian symphony. Everything emerged with edges rounded, smooth, well-bred, and deeply soporific.

Dohnányi reduced the forces more aptly for Mozart's *oboe* (or flute) concerto K314, pairing horns and oboes — though he kept four of the eight contrabasses. The soloist was the Cleveland's principal oboe John Mack. After a bumpy first movement, the tone blossomed a little in the adagio: but it was not a distinguished account.

In Chaikovsky's sixth symphony the Cleveland began to *unwind, and to lose* some of their reserve. The opening movement was still in spirit underpinned with a most un-Chaikovskian blandness, but here at least one could sit back and enjoy for its virtuosity pure and simple the well-oiled Cleveland machine. The performance took on life and colour as it went. The finale was so much better and more powerfully played than any of the other movements — and indeed than anything else in the concert — that one wished they might have begun the whole evening at that point again.

On South Bank on Thursday evening, meanwhile, the Royal Philharmonic under Yury Temirkanov were giving a routine Festival Hall concert — or, rather, a concert of Russian works (the Musorgsky-Rimsky *Khovanshchina* Prelude, the Chaikovsky *Fourth Symphony*) whose passionate colours were rendered in Festival Hall drabness by very ordinary playing, and by the conductor's unerring instinct for superficiality.

The pianist in the Rakhmaninov Third Concerto, Dmitry Alexeyev, can normally be counted upon to raise things to the highest artistic level. But this time he produced a terribly *disconcerting* mixture of magnificence and coarseness, and a version of the work in which most of the *p* and *pp* markings had been ruthlessly edited out.

MAX LOPERT

Arts Guide

Feb 7-13

Music

NETHERLANDS

Rotterdam, De Doelen. The Rotterdam Philharmonic under Roelof van Driesten, with Rian de Waal, piano. Rimsky-Korsakov, Rachmaninov, Dvořák (Tue to Thur). Recital Hall: Tokyo String Quartet. Haydn, Schubert, Dvořák (Tue). Borodin Quartet, with Eliso Wirsaladze, piano, and Georg Hörtnagel, double bass. Schubert (Wed). (142911).

VIENNA

Vienna Symphony Orchestra conducted by Yoav Talmi with Karl Steininger, trumpet. Mozart, Schwertsik, Beethoven. Konzerthaus. (Thur).

LONDON

Swedish Radio Symphony Orchestra conducted by Esa-Pekka Salonen with Mitsuko Uchida, piano. Beethoven and *Mahler*. *Royal Festival* Hall (Mon). (9283191).

London Mozart Players conducted by Tamas Vasary, piano. Beethoven. Royal Festival Hall (Wed).

London Philharmonic Orchestra conducted by Thomas Michalek with Eugene Fodor, violin. Dvorak, Mozart and Richard Nanes. Barbican Hall (Wed).

London Symphony Orchestra conducted by Gennadi Rozhdestvensky with Henryk Szeryng, violin. Sibelius. Barbican Hall (Thur).

PARIS

Julian Bream, guitar: Bach, Sor, Ponce, Albeniz (Mon). Théâtre des Champs Elysées (47234777).

ITALY

Rome: Auditorium in via della Conciliazione: Antonio Garcia Navarro conducting. Aldo Ciccolini, piano. *Dvork and Saint-Saens. (Mon and* Tue).

NEW YORK

Kaufmann Hall: Chantal Juillet violin recital with Marcus Thompson, viola. Beethoven, Villa-Lobos, Ravel, Bartok, Sarasate (Tue); Judith Blegen soprano recital. All-Schubert programme (Wed); Y Chamber Symphony conducted by Gerard Schwarz. Ravel, Schubert (Thur). 1395 Lexington Av (831 8603).

WASHINGTON

National Symphony (Concert Hall): Yoel Levi conducting, Andre-Michel Schub piano. All-Brahms programme (Tue); Andrew Litton conducting, Shura Cherkassky piano and Women of the Oratorio Society. Gershwin, Tchaikovsky, Holst (Thur). Kennedy Center (254 3776).

Saleroom/Antony Thorncroft

Big guns at Christie's

Sets of sporting guns have been manufactured for the rich since the 16th-century but only in recent years have they become an important auction market, a short-cut for those shooting fanatics who cannot wait for, or afford, especially *commissioned guns* from the handful of modern, celebrated, makers.

At Christie's on Wednesday, probably the longest suite of modern guns ever to appear at auction is on offer, eight "model-de-luxe self-openers" sidelock ejector guns made by Holland & Holland in 1976. The guns have been little, if ever, used and to acquire them all might *cost £100,000.*

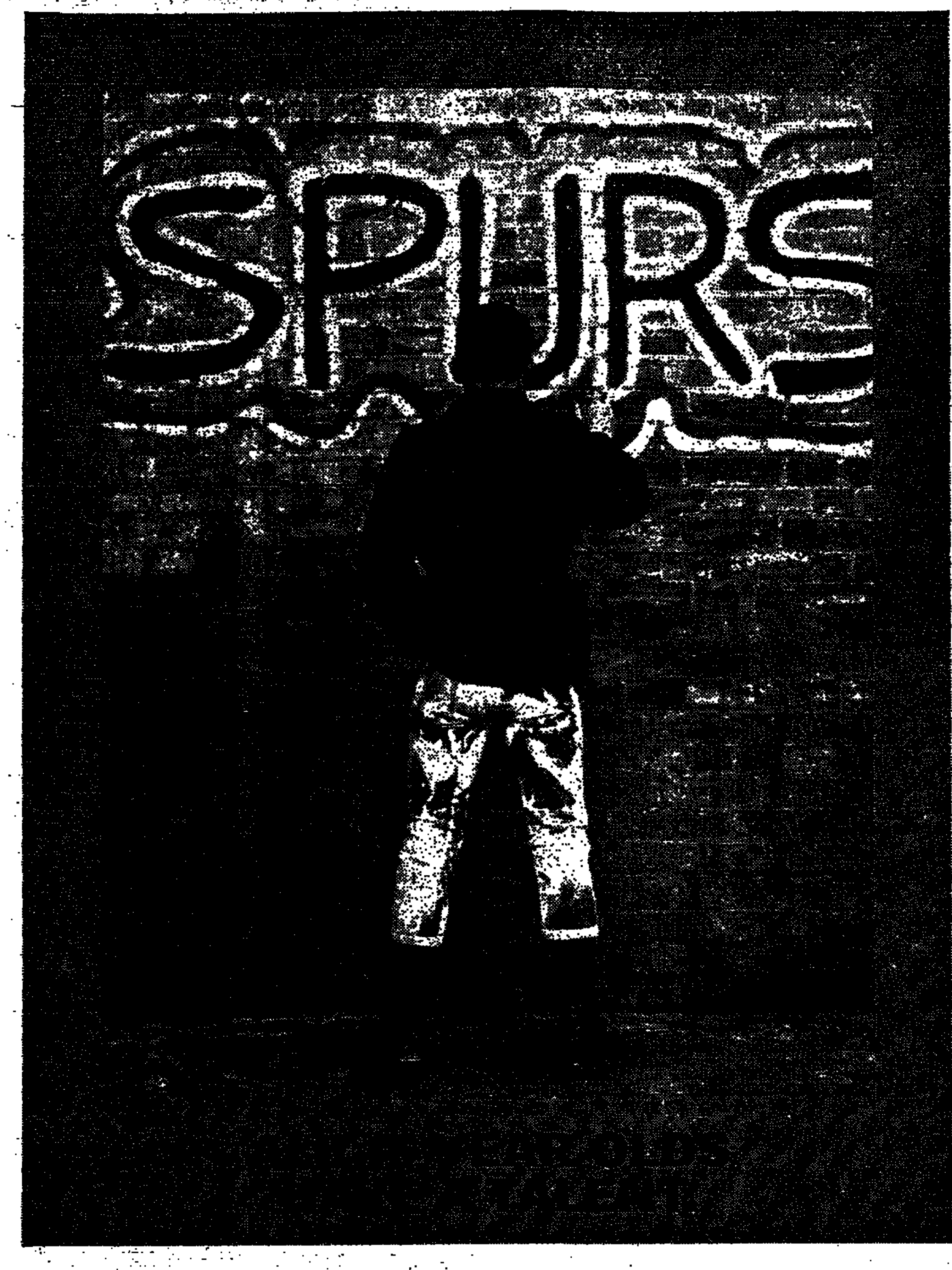
About 1,000 informal photographs of the Russian Imperial family in 1904-05, assembled by the Grand Duchess Exenia Alexandrovna, the sister of Nicholas II, are on offer at Sotheby's on Thursday. Included in the collection are snaps of the Emperor blessing his troops with an icon; his sister Olga performing somersaults; and a general perspective of the Imperial family at leisure on their estates. It carries an estimate of £10,000-£15,000.

The album is part of an ambitious Russian sale, including paintings, works of art and Fabergé. A price of around £50,000 is expected for a portrait of Prince Felix Felixovich Yusupov, the father of Rasputin's assassin, painted in 1909 by Serov.

Last year the Crafts Council held an exhibition of Soviet porcelain, and the sale contains some items from the early 1920s, including a Suprematist cup and saucer of 1923, with a design after Suetin, (and looking vaguely Japanese) which carries an estimate of £2,500-£3,500.

At Bonhams on Wednesday and Phillips on Thursday you can buy Victorian Valentines for upwards of £10. They are in auctions of ephemera which include such curiosities as a series of letters from the future King Edward VIII to his father King George V (average price around £100) at Phillips, and Victorian sheet music covers for less than £10 at Bonhams.

"Triple-unites" (or £3 pieces), minted by King Charles I when his headquarters were at Oxford during the Civil War, are expected to go for around £10,000 each when three of them are offered at Sotheby's on Thursday in a one-owner sale of coins. A rare gold "unite," probably minted in 1644, perhaps at Worcester, carries a top estimate of £20,000; only one other specimen of this Charles I coin is known. The auction offers British coins from 100 BC to King George V, with estimates starting at £60.



There's certainly no shortage of things they can try their hand (and brain) at.

Right now, there are over 100,000 employers who are looking for trainees, and more are applying all the time.

Of course, having spent company time and money training school leavers for a job, they'll hardly want to give away their investment.

(And even after the one year YTS, 6 out of 10 trainees were offered permanent jobs).

There's a lot of raw talent kicking around in Britain.

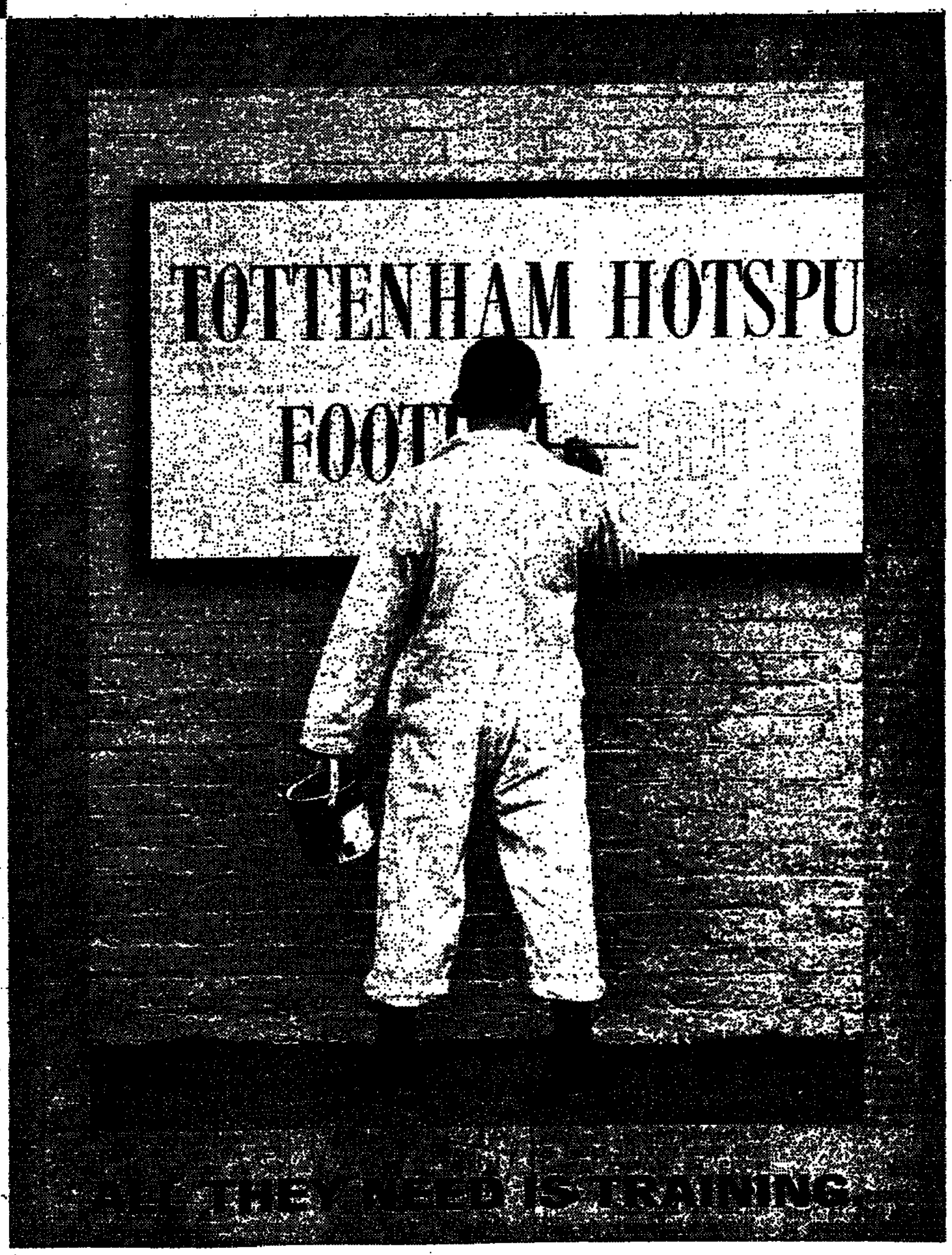
From now on, it's going to get the training it needs.

Until now, not everyone had the chance to get training once they'd left school.

And it's not exactly easy to get a job if you haven't got a skill to offer.

But this year, everyone who leaves school at 16 will be able to get skill training on the new 2 year YTS. And 17 year olds can train for a year. We're not asking for any qualifications – our job is to provide them.

And it won't matter a bit if trainees haven't the first idea what they want to train for, because they'll have the chance to experience a variety of skills.



TRAINING FOR SKILLS. THE NEW 2 YEAR YTS.
NOW 16 AND 17 YEAR OLD SCHOOL LEAVERS CAN EARN WHILE THEY LEARN.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday February 10 1986

A government at odds

MRS THATCHER'S second term administration continues week after week, month after month, to have an unhappy time. It is not that the Government fails to take big decisions or that in the way of policy it has run out of ideas. No government that has concluded the Anglo-Irish agreement, reached an understanding with France on the Channel tunnel, is pressing ahead with the Financial Services Bill and appears to be determined to do something about the state of the inner cities, could be accused of that. Indeed the Government deserves credit for the way it has stood up to a potential economic crisis in the last few weks caused by the falling price of oil.

The malaise is somewhat different, though malaise it clearly is and perhaps the Westlad affair is only a symptom. Mrs Thatcher has been Prime Minister for a very long time by British standards and also by those of other industrial democracies. It is not surprising that the strain is beginning to tell. The strain is not so much on the Prime Minister herself, although she may have become a bit careless about the way she handles her ministers. Allowing the Westland affair to erupt in the spectacular fashion that it did was uncharacteristic of her earlier style. The strain may be much more on her ministers, some of whom may have hoped by now to be serving, even leading, a rather different Conservative Party.

Internal dialogue

Looking back, it is possible to identify several plainly political mistakes. It was a mistake to go to the country prematurely in 1983 with an ill-thought out manifesto. Mr Francis Pym, then Foreign Secretary, was right when he said that an overlarge majority would not be good for the body politic. The huge Tory majority in the House of Commons has since proved his point: it can threaten to rebel on little issues, but has not much to say about the big ones. The size of the majority is not representative of the country as a whole.

It was also a mistake to include the abolition of the Greater London Council and the metropolitan authorities as virtually the only new pledge in the 1983 manifesto. Certainly there was a case for reform, but the issue was not central. Implementation frittered away government time and ultimately began to undermine the Government's reputation for having a strategic view of its objectives.

The fault then—and it is the same fault now—is that the Government would not take time to stand back and consider where it wants to go in the longer term. It is not a government that conducts much of a friendly internal dialogue.

Steadily worse

Those ministers who have been making a bid for the leadership, or at least sniping at each other over the future direction of the party, at and around the Young Conservative Conference in Blackpool at the weekend ought to consider this point. There is no sign that Mrs Thatcher is going; nor would it be desirable for her to do so.

For one thing there is no obvious successor and a leadership struggle now would be quite likely to tear the party to pieces. Yet not only is there no obvious Tory successor to the Prime Minister; there is also no obvious alternative government. The Labour Party is still trying to show that it can modernise itself and the Alliance has yet to establish its maturity. In those circumstances, it is imperative for the Conservatives to provide responsible government for the next two years or so.

The oddity is that if only the party would settle down, its prospects might not be too bad. Mr Heseltine is reverting to the past when he talks about intervention in industry modelled on the French example. The model has long since been greatly modified even by the French. Mr Walker is on the same track. Mr Biffen is merely being cryptic when he snipes at Mr Tebbit and in the course of these exchanges the party begins to look ridiculous. Moreover, in the last few weeks the process has become steadily worse.

There are things to be done. On the whole the Government is still doing them but it cannot proceed indefinitely in conditions of internal strife.

No service to democracy

THE PRESIDENTIAL elections in the Philippines have been no credit to the democratic process. The presence of two teams of distinguished international observers, 1,000 foreign journalists and tens of thousands of ordinary Filipinos determined to ensure that the vote was fair and free could not prevent widespread abuses.

It may, as President Ferdinand Marcos claims, be one of the cleanest, fairest and most orderly elections ever to be held in the Philippines, all judgments are relative. However, there have been enough incidents of vote-buying, rigging, ballot-snatching and intimidation, mostly by government supporters, to confirm the preliminary view of the official international observer group that President Marcos has manipulated the returns and that his challenger, Mrs Corazon Aquino, is being cheated of a chance at victory.

None of this is really surprising. Mr Marcos, it is worth remembering, did not hold elections because he wanted to and it was always clear that he was going to do whatever was necessary to hold on to power. He was forced to put his waning popularity to the test by pressure from the US which has two important military bases in the country and which fears that the Philippines could become another El Salvador or even another Vietnam. Even if this seems a little far-fetched, a combination of economic mismanagement, corruption and the growing Communist threat had clearly transformed the ageing autocrat from a reliable ally of the US to an embarrassing liability.

Drastic action

What is surprising—and what matters now—is that, in spite of all government attempts to fiddle the vote, Mrs Aquino has emerged as a new force commanding, even by official figures, the support of just under half the votes counted. Last night Comelec, the government election commission, claimed that, out of a total of 26m voters, 5.85m had voted for Mr Marcos and 5.39m for Mrs Aquino. Earlier in the day even Comelec had Mrs Aquino in the lead. Namfrel, the pro-opposition, volunteer pollwatchers, claimed Mrs Aquino was ahead by nearly 1m votes.

The counting is not yet over and anything could happen. Mr Marcos has already said he is giving serious thought to annulling the result because of the abuses which have taken place and, it must be assumed, if he thinks he is going to lose, the Philippines leader might resort to such drastic action.

Another possibility is for the count to be delayed for long enough to give the ruling party time to get to enough ballot boxes. By last night the count, even in some parts of central Manila, had not begun—more than two days after the close of polling, a fact which Senator Richard Lugar, co-leader of the congressional team, noted with some dismay.

Civil disorder

A third possibility is for Mr Marcos to use the National Assembly, which is dominated by his ruling KBL party, to push through his victory. Constitutionally the next step is for the assembly to meet—it sits today—and begin what is described as the official vote count before declaring the winner. A fourth is for the army to take a hand.

Any one of these options carries with it the risk of serious civil disorder and the US, through its representatives in the Philippines, should be using whatever leverage it may have over President Marcos to dissuade him from pronouncing himself re-elected on the basis of fraudulent result. The elections were, after all, called to restore Mr Marcos's tattered credibility and shore up US interests in the country. Neither has happened.

Whatever happens in the next few days, however, one thing seems clear. The days when President Marcos ruled his island nation of 55m people unopposed are over. Filipinos have voted for change in their millions and, sooner or later, Mr Marcos will have to come to terms with that reality if the slow, inexorable slide into chaos is to be avoided.

ECONOMIC VIEWPOINT

Time to forget yesterday's slogans

By Samuel Brittan

IT used to be said: "Every dark cloud has a silver lining." But this useful adage has been reversed by professionally gloomy financial commentators, who predicted the end of the world when the price of oil shot up in 1973-74 and 1979-80 and are again predicting the end of the world now that Opec is collapsing.

My own view is that the two earlier oil price explosions did set off the prolonged bout of "stagflation" from which many countries have been suffering, although they were not its fundamental cause. Similarly the collapse of the Opec cartel is the best world economic news we have had for many years.

Interestingly enough, the two most optimistic — but also realistic—appraisals come from two different sides of the political spectrum: from the Simon and Coates *Economics Analyst*, whose staff is headed by a former Callaghan economic adviser, Gavyn Davies; and from the *Foxhall Review* edited by Lawrence Kudlow, adviser to the former Republican US Budget Director, David Stockman.

Both emphasise supply side effects. With much lower energy prices, both profits and the value of workers' output should increase, thereby moving real wages nearer to market-clearing levels. UK non-oil trading profits, which have already shot up rapidly since 1981, are expected by Simon and Coates to rise by a further 16 per cent in 1986 and another 10 per cent in 1987, partly reflecting lower oil prices and partly the recent depreciation of sterling.

There are also immediate worldwide benefits on the conjunctural front with less inflation and more output for any given growth of nominal demand Mr Kudlow has now raised his 1986 real growth forecast for the US to 5 or 6 per cent and shaded his inflation forecast down to 5 per cent.

The more cautious London Business School expects that OECD economic recovery "now three years old" will be prolonged into 1986 and reach a growth peak in 1987 on account of lower oil prices (as well as the fall in the dollar and the trend to lower nominal interest rates already in the pipeline).

It is scarcely credible that the specific problems of oil-producing developing countries, or US banks which have lent to the energy sector, cannot be kept at bay by some stretching out of interest payments and lender of last resort operations. The US has always looked after Mexico and will continue to do so.

Fears (if that is the right expression) that oil prices will fall to the level of marginal extraction costs are misguided and alarmist.

It is irrational to extract oil beyond the point where its value in the ground is likely to rise faster than the rate of interest. Taking these factors into account the "competitive" oil price is estimated by Jeremy Hale (also a Simon and Coates analyst) to be between $11 and $16 per barrel, with a bias towards the lower figure.

There are thus the supply side and conjunctural gains. But to offset them, the UK as a net oil exporter, whose exports amount to over 2 per cent of GNP, stands to lose. It will also need a terms-of-trade reduction to sell more non-oil products overseas. It is a reflection of the craziness of the British labour market that these aspects, which ought to be adverse, may actually be beneficial to output and employment.

Because of the oil price fall, some of the real depreciation of sterling expected to occur very gradually as North Sea production tails off, has been compressed into the last few weeks, giving UK manufacturing exports and import substitutes a boost. Moreover, because of the oil price crash, the normal inflationary effects of a lower exchange rate have been held in abeyance.

The UK is not yet out of the wood on interest rates and sterling. Should the fall in sterling get out of place with the fall in oil prices, base rates will have to rise, however hot under the collar industrialists and politicians get. So will they if next month's banking figures suggest that bank credit and property prices are once more on the rampage.

The point about not looking at one month's figures in isolation applies just as much when they are good (as in the case of the January monetary and reserve numbers) as when they are bad.

The same applies to the unemployment figures. The December and January rise may be a statistical blip (after the earlier falls in underlying unemployment), the beginning of a new severe adverse movement, or simply indicate that over the past six to 12 months unemployment has been rising by about 6,000 a month. If I were the Chancellor I should feel much more handicapped by having to finalise my Budget after only one more month's unemployment figures than after only one more month's money supply statistics.

Even if base rates do not rise further than their present 12½ per cent, they already represent at that level a real (but pre-tax) interest rate of 8½ per cent, if one takes seriously inflation forecasts of 4 per cent or less. British real short-term rates are about 6 per cent above German real interest rates and make sense only if it is thought that sterling will continue to depreciate in real terms against the mark at that rate.

The Chancellor might be tempted to raise his PSBR target both on the grounds of "a little Reaganomics"—that is offsetting monetary stringency with fiscal ease—and on grounds of smoothing out the effects of fluctuating oil revenues.

The last stated objective for the 1986-87 PSBR was £7¼bn, published in last year's version of the Financial Strategy. The estimated outturn for 1985-86 is £8bn.

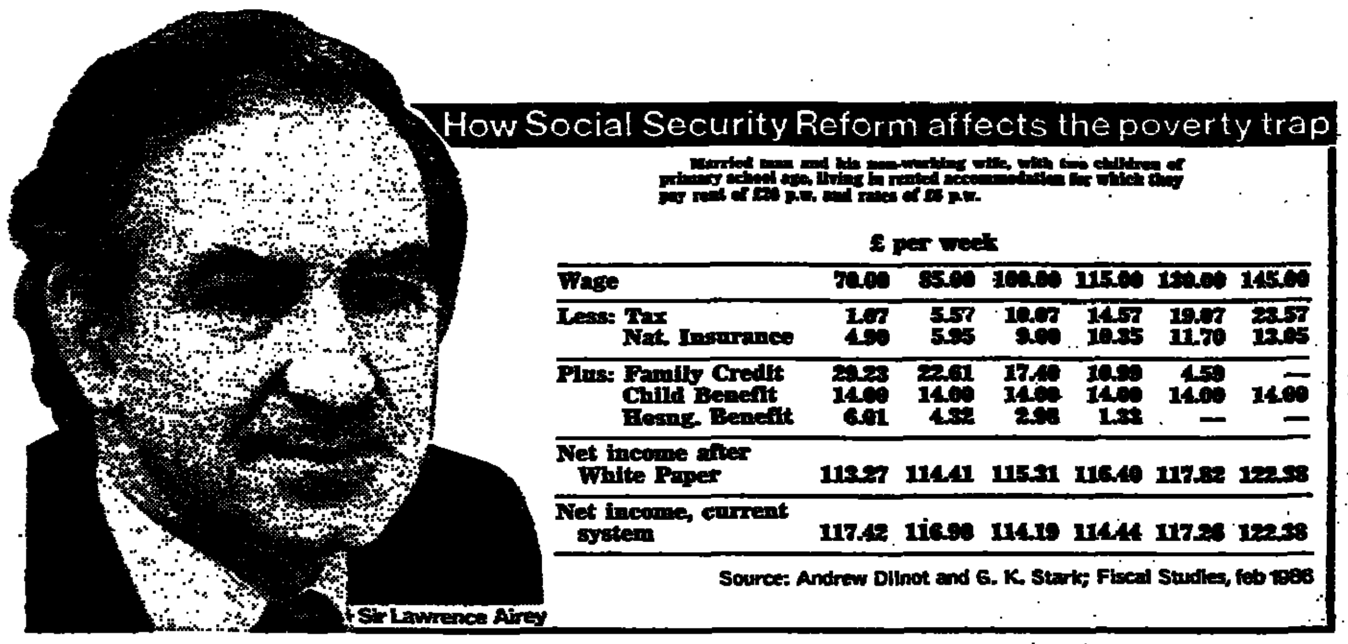
Nevertheless a PSBR objective of £7bn to £8bn will already represent a dose of Reaganism. This is because it embodies an estimated £4¾bn of asset sales, compared with £1.1bn of such sales in 1983-84, and £2¼bn in the current financial year.

These asset sales are not wicked even when made to Americans, and we can forget the aristocratic collectivism of the "family silver." Nevertheless, they represent ways of financing the Budget deficit and not reducing it; and if you want to measure the fiscal stance on Budget Day forget the PSBR and look instead at the PSFD (Public Sector Financial Deficit).

The heavens will not necessarily fall in if the Chancellor borrows an extra £1bn. The market reaction will depend far more on international financial forces, the vagaries of UK bank lending and the Government's general political standing than on fiscal arithmetic. Moreover, tax concessions which encourage structural change — above all more jobs and lower pay settlements—will be better received than generalised largesse.

It would be foolish, however, to throw away the potential gains in lower inflation — and even more lower inflationary expectations, with the possibilities the latter hold of a virtuous circle of lower prices and higher output — by raising petrol duties or other indirect taxes simply to make room for income-tax cuts.

The actual tax burden would be no lower with a switch from direct taxation. Such a course would be to repeat in a minor key, and on the inflationary downswing, the error of the Thatcher government's first Budget in 1979, which mistakenly raised indirect taxes to finance an unappreciated reduction in the basic rate.



Sir Lawrence Airey

How Social Security Reform affects the poverty trap

Married man and his non-working wife, with two children of primary school age, living in rented accommodation for which they pay rent of £20 p.w. and rates of £5 p.w.

	£ per week					
Wage	70.00	85.00	100.00	115.00	130.00	145.00
Less: Tax	1.67	5.57	10.07	14.57	19.07	23.57
Nat. Insurance	4.90	5.95	9.00	10.35	11.70	13.05
Plus: Family Credit	29.23	22.61	17.40	10.90	4.50	—
Child Benefit	14.00	14.00	14.00	14.00	14.00	14.00
Hsng. Benefit	6.01	4.32	2.96	1.32	—	—
Net income after White Paper	113.27	114.41	115.31	116.40	117.82	122.38
Net income, current system	117.42	116.98	114.19	114.44	117.26	122.38

Source: Andrew Dilnot and G. K. Stark; Fiscal Studies, feb 1986

TAX THRESHOLDS ARE OUT OF DATE

THE CAMPAIGN being launched by some Tory "wets" for an increase in tax thresholds rather than a basic rate reduction shows a characteristic failure to catch up with changes taking place in the real world, namely the consequences of the Government's Social Security reforms, which are planned for 1988.

As a result, tax changes will make virtually no difference to families of modest means over a very wide range of incomes.

The table above shows that the old poverty trap, under which increases in pay led literally to lower income, has gone. But there is a "new poverty trap" over a wider range of gross income from about £70 to £145 a week for a typical family, in which take-home income rises very little with earnings.

Such high marginal rates are an unavoidable outcome of the desire to concentrate help on those in most need, combined with the desire to limit net outlays.

The essence of the new system is that entitlement to benefit depends on net income after tax. This means that a reduction in income tax, which had no effect under the old system, will under the new regime reduce entitlement both to family credit and housing benefit. The result is that families in the poverty trap region will gain very little from a reduction in income tax, however brought about. A family in receipt of both Family Credit and Housing Benefit, which was taken out of income tax completely by an increase in thresholds, would see its implicit marginal "tax" rate fall only from 96 to 94 per cent.

Whereas an increase in allowances previously gave more proportional benefit to poor tax payers than to other basic rate payers, the position is now reversed. Tory "wets" please note.

But not only "wets." Precisely the same objection applies to the reintroduction of a lower rate tax band, said to be favoured by the Prime Minister. She might note that this was a TUC idea, imposed over the not quite dead body of the Treasury during the last Labour Government in return for hoped-for wage restraint which of course never materialised. It was rightly abolished by Sir Geoffrey Howe in 1979.

To reintroduce it now would be ersatz compassion, with the bulk of the gain going to those well above any conceivable lower tax bands. The one effective way of helping poor families will be via the benefit system.

There is, however, a technical case for a modest reduction in the basic rate. It is that a freezing of the married person's allowance is required in the transition to individual independent allowances, whether transferable (as the Chancellor favours) or not. Both would be an improvement over the present system which discriminates in favour of families with two breadwinners. A slightly lower basic rate would be financed from the freezing of the married allowance; and this would itself reduce the cost of moving to transferable allowances. These are matters on which Inland Revenue chairman Sir Lawrence Airey is presumably working.

If critics of Government economic policy on the back benches and in the Cabinet were more on the ball, they would concentrate neither on thresholds nor on jingoistic anti-Americanism in industrial policy, but on the Department of Employment's unmerited cold-shouldering of special measures suggested by the Commons Employment Committee for the long-term jobless.

Contrary to some reports, the suggestions would not cost £3.3bn this year but that sum phased over three years. The suggestions are basically for more community service projects and for a subsidy to employers for each net hiring of long-term unemployed (I am sceptical of singling out building for special attention). The aim would be a job guarantee for all the long-term unemployed, involving some 750,000 extra jobs.

The Committee pulls too many punches and mistakenly urges that community services should pay the union "rate for the job" (no doubt to bring in the Labour Members). Its report makes the same mistake as many of the Chancellor's statements in being too short, without the supporting argument, calculations and tables, which may theoretically already have been published elsewhere but which the reader is most unlikely to have by his side.

The basic argument is that for paying people a modest wage, a little above the dole to "do something," rather than the dole for doing nothing. That is why the net Exchequer cost per job of special measures has been estimated at £4,000 to £5,000 a year compared with £25,000 to £30,000 for capital spending or conventional tax cuts.

The case for faster real growth and more market related jobs remains, however, more market-related — and usually lower—growth of both nominal and real wages. The Treasury has been saying this in various different languages since 1944; and the problem is now more with the employers than the unions.

The task of the Budget is to send them a decisive signal that low pay settlements and more jobs are now preferred to the opposite and more comfortable combination. Compared with this need, the basic rate of tax and the thresholds pale into insignificance.

Men and Matters

PaineWebber's London slice

The Big Bang will call for big banks to cope with London's more international business style after next October in the view of Nicholas Aylwin, at 41 already a veteran City of London merchant banker.

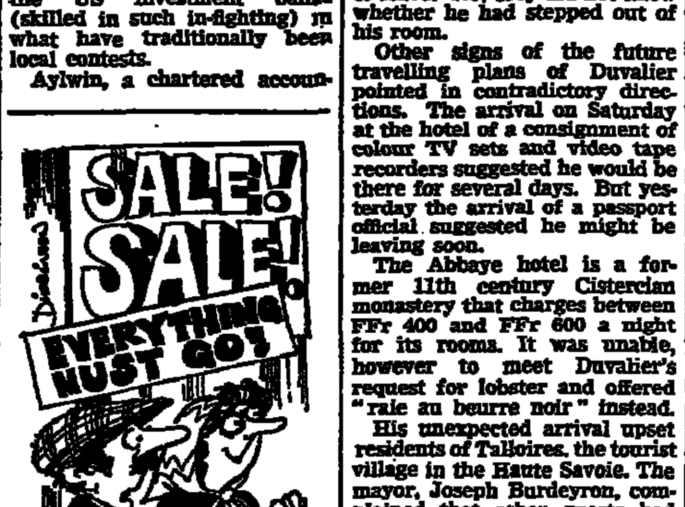
After some 15 years with Hill Samuel, plus a couple of years in Paris for Chemical Bank, Aylwin has moved across to one of the top ten Wall Street investment banking houses, PaineWebber, as director responsible for developing the bank's merger and acquisition business in Europe.

PaineWebber is preparing to use its considerable financial muscle to win a useful slice of the UK corporate financial market. "A market which until recently has been the exclusive preserve of the established London merchant banks," Aylwin points out.

He sees the progressive use in Britain of US-style bid techniques and tactics (both offensive and defensive) as an open invitation for involvement of the US investment banks (skilled in such in-fighting) in what have traditionally been local contests.

Aylwin, a chartered accountant, married and living in Wimbledon, set up the Hill Samuel merger and acquisition group 13 years ago. He became a director of the bank and head of merger and acquisition work.

In the US PaineWebber has built a special reputation as the firm which represents owners of companies that want to sell out. Aylwin sees such business as a European growth area, too.



"Hold on — hold on — it's probably just a Government poster."

Exile in style

The luxurious hotel Abbaye overlooking Lake Annecy, which last year had President Carter as a guest, was being very coy yesterday about its latest arrival.

No, the receptionist said, they did not know when Jean Claude Duvalier (Baby Doc) was going to leave. No, they did not know whether he had stepped out of his room.

Other signs of the future travelling plans of Duvalier pointed in contradictory directions. The arrival on Saturday at the hotel of a consignment of colour TV sets and video tape recorders suggested he would be there for several days. But yesterday the arrival of a passport official suggested he might be leaving soon.

The Abbaye hotel is a former 11th century Cistercian monastery that charges between FFr 400 and FFr 600 a night for its rooms. It was unable, however to meet Duvalier's request for lobster and offered "raie au beurre noir" instead.

His unexpected arrival upset residents of Talloires, the tourist village in the Haute Savoie. The mayor, Joseph Burdeyron, complained that other guests had been asked to move out. "This way of doing things is inadmissible," he said.

Another villager said it was "scandalous that a dictator in exile should be treated like a pasha" in one of the best hotels in France.

Judging form

Thanks to a long connection with bewigged punters in London's legal circles who like to tip winners and fix the odds this column can claim a respectable record in forecasting winners in the Judicial Stakes.

Straight from the stables we brought you the intelligence that Sir John Donaldson would succeed Lord Denning as Master of the Rolls

Recently super-silk Lennie Hoffman, QC, fulfilled forecasts that he would be made a Chancery judge.

The hot tips behind Hoffman were John Knox, QC, and Peter Millett, QC. Sure enough Knox went in the bench a couple of months ago.

Now the Lord Chancellor's office announces that Millett has got the vacant seat left by the promotion of Mr Justice Nicholls to the Appeal Court.

Stay with the old tipsheet—how about Edward Nugee, QC, as favourite for the next Chancery judgeship.

No Wellcome

Tracks of stags were much in evidence during the closing moments of the £250m sale of shares in the drugs group Wellcome—a sale which was 10 times oversubscribed.

Four families evidently living in a single house in Swindon and sharing the same signature —they were called Feb, Fell, Den and Dell—will be hurt to know that their applications went straight into the waste paper basket.

More intriguing for the stag-hunters — bankers Robert Fleming—were the applications from 75 women who all had first names beginning with G and also shared a single address.

Laurence Banks of Fleming is so impressed to discover this concentration of moneyed women that he says he is thinking of sending out an investigative team of "some of our unmarried corporate financial men in search of wealth and beauty."

The flotation also reminds Mrs Joyce Norrington, retired and living in Devon, of a story.

The founder of Burroughs and Wellcome (the name is still used by the group's US business) Sir Henry Wellcome, had a passion for archaeology.

In the 1920s he wrote to the Norringtons in the Sudan asking their permission to go out there to conduct a dig.

They promptly cabled him—"Come, Burrow and Welcome."

Honours uneven

Apart from adding a new dimension to the Westland saga the allegations about abuse of the honours system have revived memories of another incident. It, too, is worthy of inclusion in any register kept at 10 Downing Street of what Mrs Thatcher has called "differences in understanding."

When Attlee was prime minister he was approached by a long-serving Labour member of parliament, who had already announced his intention to seek re-election, and asked to ensure that the outstanding work of one of the stalwarts of the man's constituency party should be given recognition in the next Honours List.

Attlee ended the typically brief interview with what sounded like a grunt of assent.

The next Honours List included a peerage for the, by now, former MP—and nothing for the local constituency worker on whose behalf he had spoken.

Local custom

A British businessman and his wife were recently being entertained by a wealthy shiekh in one of the Gulf states.

He apologised that he could not take her to meet his women-folk. "It would mean death to anyone who dared interrupt them . . . They are watching 'Rambo'."

Observer

Barry Riley considers the impact of the Crocker disposal on the Midland Bank

'This clears the decks for us'

WITH one bound, Midland Bank will be free. Subject, that is, to the agreement of the US regulatory authorities, to its success in "working out" some $450m of poorly performing Californian assets which stay on its books, and to the recoverability of a $3.1bn portfolio of ex-Crocker international loans, a little over half of which are Latin American.

The sale of Crocker National Bank for some $1.1m to a rival Californian group, Wells Fargo, removes a millstone around Midland's neck. The news was received ecstatically on Friday by the stock market, which marked Midland's share price up 64p to 492p—putting around £150m on to the market capitalisation.

But it also marks the latest in a series of U-turns and miscalculations by the bank since the early 1970s. Over the past decade its share price has consistently underperformed the market as a whole, and the prices of its rival UK clearing banks.

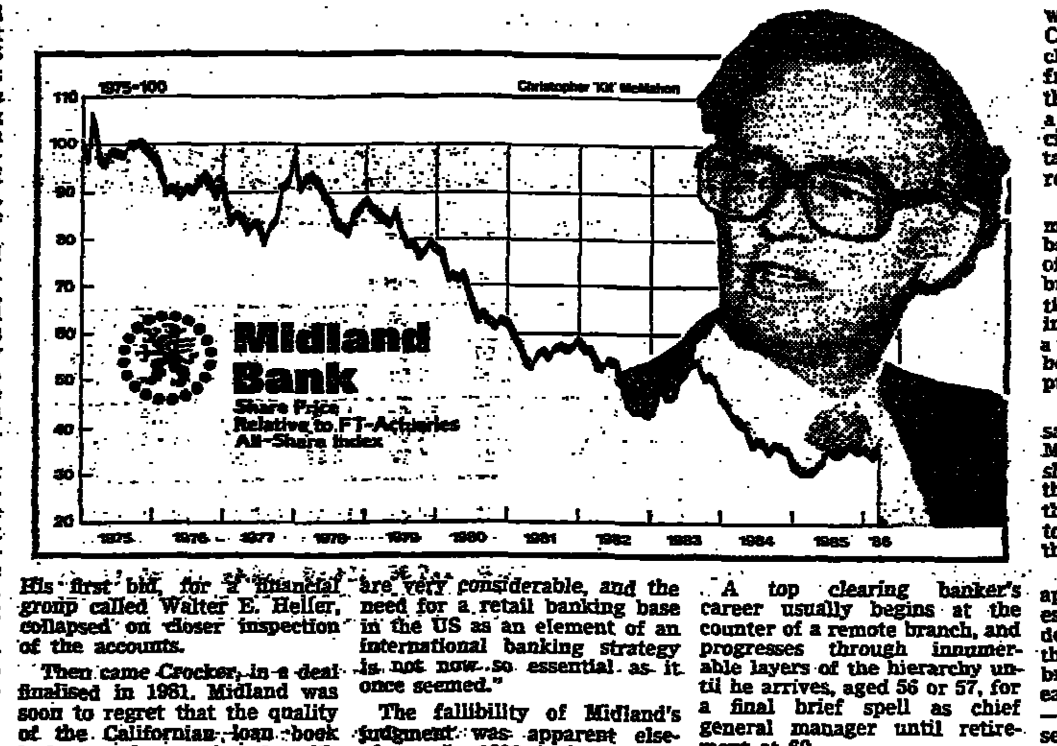
This underperformance reflects Midland's inability to conceive and apply an international strategy to graft on to the base of its domestic clearing banking operations. These, despite a large exposure, for historical reasons, to the industrial recession of the early 1980s, have continued to perform well.

Yet there are reasons for arguing that the sale of Crocker will mark the end of an era, rather than simply being the latest entry in a catalogue of errors.

"We have a clear strategy," claimed Midland's chairman, Sir Donald Barron, the former Rowntree Mackintosh boss, on Friday. "We now have the resources to carry it out. This deal clears the decks for us to go forward and carry out that strategy with vigour." But the vision became a little more blurred a few minutes later when he remarked that "strategy is a thing which develops over a period of years."

Midland's problems go back to its purchase of two merchant banking businesses in the 1970s, Montagu Trust and Drayton Corporation. Midland chose the wrong time—just before the secondary banking crash—and paid too much.

A few years later it decided to follow its rival British clearers into the US domestic market. Its then joint chief general manager Mr (now Sir) Malcolm Wilcox, was dispatched to America with orders to buy.



His first bid, for a financial group called Walter E. Heller, collapsed on closer inspection of the accounts.

Then came Crocker, in a deal finalised in 1981. Midland was soon to regret that the quality of the Californian loan book had not been viewed with more scepticism. By 1983 the West Coast economic bubble had burst and the bank reeled under the impact of bad debts, mostly in the real estate and agriculture sectors.

On any judgment, Crocker was a bad purchase: but it is significant that even the strategic justification for a move into the US domestic market is now repudiated by Midland.

The idea then was that it would give the bank access to stable dollar deposits. Retail deposits are much less volatile than wholesale funds from the money markets which can dry up almost overnight (a nightmare experienced subsequently by Continental Illinois, a Chicago bank largely dependent on wholesale deposits).

Moreover it would plug the bank into the buoyant economic growth being experienced around the Pacific rim, and it was intended to offset domestic problems of the late 1970s such as exchange controls and threatened clearing bank nationalisation.

Midland now argues that the world has changed since it planned the Crocker deal in 1980. According to Sir Donald: "The technology changes have been vast, exchange controls have gone in the UK, regulatory changes in the UK and US are very considerable, and the need for a retail banking base in the US as an element of an international banking strategy is not now so essential as it once seemed."

The fallibility of Midland's judgment was apparent elsewhere. In 1982 it brought in *Aetna Life*, the giant US insurance company, as a 40 per cent partner in its merchant banking offshoot, Samuel Montagu. But with dramatic changes taking place in the securities industry Midland found it needed to become more, rather than less, directly involved in merchant and investment banking.

A highly publicised internal power struggle led to the departure at the end of 1984 of Mr Staffan Gadd, Montagu's chief executive. Last year Midland bought back 100 per cent control (though Aetna took Montagu's investment management arm).

Midland stumbled, too, in *buying into the London* stockmarket, when this became possible ahead of the City's "Big Bang" deregulation. In 1984 Montagu signed a 50:50 partnership deal with the leading stockbroking firm W. Greenwell. However, this was renegotiated on to a 100 per cent ownership basis last year, and Montagu Greenwell will operate as a fully integrated securities business.

Ultimately, the source of Midland's problems has lain in the officers-and-men class distinctions which have been traditional in British clearing banking.

A top clearing banker's career usually begins at the counter of a remote branch, and progresses through innumerable layers of the hierarchy until he arrives, aged 56 or 57, for a final brief spell as chief general manager until retirement at 60.

But the chairman and most directors have come from elsewhere: in the past ten years or so Midland's chairmen have included a Scottish accountant, an ex-Whitehall mandarin and a former oil company boss. Sir Donald himself is a highly capable businessman, but perhaps better known for selling Kit Kat and Yorkie than for banking expertise.

At a period when domestic clearing banks have been seeking to grow into international financial groups, Midland in particular appears to have suffered from a lack of the right kind of broad experience and vision at the very top.

But it is a deficiency which the bank has already recognised and done a great deal to put right. In 1983, for instance, Midland brought in a tough industrial accountant, Mr Michael Julien. It was the first time that a clearing bank had identified finance as a separate function from banking; Mr Julien came directly from the electrical group BICC.

And in recent years Midland has recruited experienced senior bankers from international rivals such as Citibank. The day of the one-dimensional clearing banker has gone.

The greatest break of all with tradition came last September, with the appointment of Mr Christopher "Kit" McMahon as chairman-elect, moving over from the deputy governorship of the Bank of England. Although a central rather than a commercial banker, Mr McMahon will take on full-time executive responsibilites.

At the moment he is in the middle of a compulsory sabbatical after leaving the Bank of England, and he could not be brought into the Crocker negotiations—though he was, according to Sir Donald, informed "as a matter of courtesy" a few days *before the deal was made* public.

Assuming it goes through, the sale of Crocker will allow Mr McMahon to start with a cleaner *sheet and stronger capital ratios* than he might have feared. But there is still a great deal for him to do in setting Midland on to the right long-term course.

On Friday, the directors still appeared to be fumbling, especially in relation to future developments in the US where the group is reduced to two branches in New York—one each for Midland and Montagu—and an international trade services unit. "Clearly we shall develop our strategy as time goes by," said Midland's chief executive, Mr Geoffrey Taylor. But he made it clear that the bank would be likely to focus much more on investment banking than has been the *pattern in the US until now*.

Montagu, is at the centre of its plans to develop a major presence in the international capital markets. Some £25m has been allocated to set up a new gilt-edged market making firm in London, and altogether Montagu has some £200m in net worth as a base for its operations. Without the burden of Crocker, Midland will find it easier to channel more resources in this direction.

But Montagu is a long way behind the front runners in the global securities business, and Midland still has to put together a consistent strategy.

And the new power structure at the top has yet to emerge fully. Mr McMahon will join as a director later this year, but will not take over as chairman until the spring of 1987, when both Sir Donald and Mr Taylor are due to retire. This could leave Midland's leadership in an extended state of transition during what promises to be a critical time for the global capital markets.

But at least Midland will no longer have California on its mind.

Foreign Affairs

The dog that barked but did not bite

By Ian Davidson

THE House of Commons Defence Committee has really got its teeth into the skulduggery behind the Westland affair, and it is difficult not to marvel at the terrier-like tenacity with which it has been worrying away at the questions surrounding That Notorious Letter from Sir Patrick Mayhew, the Solicitor General, to Mr Michael Heseltine, the then Defence Secretary.

The trouble is that the committee did not seem to realise that this letter-and-leak issue was an emaciated corpse which quickly yielded all it was likely to yield; whereas there was a much juicier prey waiting to be savaged in the undergrowth, and which should have been seized before the shareholders' meeting on Wednesday if the committee was to perform a public service. That prey is the question of the Government's helicopter procurement policy.

Mrs Thatcher has claimed from the beginning that Westland's rescue was not and should not be a case for government intervention: its future should be left to market forces, *to the company's management* and to the shareholders. Today, these claims prompt guffaws of sceptical laughter. But that is not now the issue. If the shareholders are to make a sensible decision, the question to which they need an answer is this: what will be the Government's policy *after* the company has been rescued?

Superficially, a posture of Olympian detachment looks rather statesmanlike and decently austere. The trouble is that the relationship between a government and a defence contractor cannot be one of indifference, because a defence contractor depends crucially on orders from that government. It may be able to sell to other governments; but its viability, and its credibility in export markets, will be heavily dependent on its success in selling to its critical *potential* customer, the Ministry of Defence. So what then is the Government's helicopter-buying policy?

When he was Defence Secretary, Mr Heseltine said that Britain's armed forces did not need the Sikorsky Black Hawk helicopter, and had no money to buy it. Is this still the case under his successor? We do not know. Perhaps Mr Younger takes a different view from Mr Heseltine; but it is inconceivable that the armed forces are entirely indifferent as to the kind of helicopters they are provided with.

After the Sikorsky bid was launched, the defence ministers of Britain, France, Germany and Italy, represented by their national armaments directors (NADs), declared that they would in future collaborate to meet the bulk of their helicopter needs from within Europe, if the European consortium bid succeeded. Mrs Thatcher has at times appeared to wish to thrust this agreement out of the picture, *or even to disown it*, for fear that it should stack the odds against Sikorsky. Today, the Government's policy on the NADs agreement is obscure. But unfortunately the question of European collaboration is, by definition, not one that can be left to market forces: it places Britain *and the other concerned governments in Europe* before explicit policy choices.

> Collaboration with Europe is not a question that can be left to market forces

Mr Heseltine gave high priority to a general policy of European collaboration in defence procurement, as a way of cutting costs and streamlining the defence contracting industry. His successor seems to echo these broad sentiments. In any particular case, *of course*, the Government may decide that other, more particular considerations should take precedence over the general objective of European collaboration. But it would be a very odd state of affairs if what started out as a posture of lofty impartiality were to lead the Government into rearranging both its specific equipment needs (Black Hawk or not Black Hawk) and its general defence industry policy (European collaboration) for the convenience of the shareholders of Westland.

Mrs Thatcher may have wanted the other European governments to keep out of the Westland controversy; she even had the brass neck to ask the Italian Government to stop voicing its support for the European consortium; but she cannot prevent other European governments from having their own views on defence collaboration. If Sikorsky wins the day, she cannot stop them devising alternative collaborative *arrangements between themselves*, which might exclude Westland.

This is not to suggest that there is anything altruistic or idealistic about European collaboration, nor that it is a painless panacea for the problems of a fragmented European defence equipment market; on the contrary, anything which seeks to overthrow traditional national-champion policies is bound to involve a deal of sweat and grief. The point is that the larger context of Mrs Thatcher's *dilemma may be significantly* influenced by the policies of other governments.

The European Fighter Aircraft project, in which Britain, Germany, Italy and Spain are to collaborate, is an instructive case in point. France dropped out, because it failed to bend the enterprise to the overweening demands of the French aircraft industry. Once the other four governments decided to go ahead together, the French Government changed its tune and is now trying to reinsert itself into the EFA project with a share of up to 20 per cent.

Before the European bid came on the scene, the British Government's posture of indifference to the choice of Westland's rescuer was unreal; after, it became patently absurd.

Sir John Cuckney, chairman of Westland, has throughout supported the Sikorsky offer. He may believe the American proposals are better in every way. But does he have any grounds for believing that he can sell the Black Hawk to the Defence Ministry.

Letters to the Editor

Deregulated credit

From Mr J. Maples MP

Sir, — It is now customary to blame high UK interest rates on the Government's exchange rate policy. A year or two ago it was all the fault of US interest rates. No doubt there are elements of truth in both, but there is another reason, wholly domestic and in the final analysis within our control, why the UK has such high interest rates.

The banking system used to be a closely regulated cartel, *largely organised to say "no"* to would-be borrowers. We now have a vastly expanded and deregulated credit creation system competing for business and aggressively "selling" credit. Credit creation is therefore expanding far faster than the supply of savings and driving up interest rates in the interbank market where banks have to borrow back credit which they create and which "leaks" off their own balance sheet.

Most of the increased lending is going to financial institutions and property purchase rather than productive investment. Consumer lending and short term loans to finance property and financial transactions are largely insensitive to interest rates so enabling credit creation to continue at current high rates. Long term productive business investment is highly sensitive to interest rates but has to accept rates set by the insensitive part of the market. This reduces the price of existing assets which, among other results, make takeovers more attractive than new investment.

It is interesting that in West Germany bank lending is growing at 4 per cent per annum and interest rates are 4½ per cent. In the UK bank lending is growing at over 16 per cent per annum and interest rates are 12½ per cent. West Germany's banking system is tightly regulated compared with our own.

If this analysis is correct we can reduce interest rates by reducing the rate of growth of credit. It is not necessary to revert to a highly regulated banking system but we will need "rationing" of those types of lending which are not sensitive to interest rates.

John Maples,
House of Commons SW1.

Self-sufficiency in Europe

From Mr N. Sebag-Montefiore

Sir,—Sir Michael Butler's ideas (February 5) *for* creating European self-sufficiency and increasing market share in high technology have an immediate attraction in Northern Europe. But in Spain, where domestic capital is much scarcer, it seems entirely sensible to use investment grants to attract ITT, ATT, Sony, Matsushita and others. European companies are not struggling to replace them, despite, of course, the availability of the same grants.

In an earlier phase of industrialisation, as the automotive industry geared up for the 1980s, it either partially withdrew (Fiat, Landrover) or failed to invest adequately (Renault, Peugeot), so that without Ford, GM or Nissan the Spanish industry, especially in components, would not have survived.

Sir Michael's arguments on repatriation of profits take no account of the global equity markets which now exist. If IBM *or* Boeing earn profits in the EEC, *the* beneficiaries — their shareholders — are often EEC citizens and so those profits return to where they were earned.

N. C. Sebag-Montefiore,
Jose Abascal 42-80,
Madrid 3.

Salmon, ginger and currants

From Margaret Tribe

Sir, — Christopher Dunkley writes entertaining and very readable articles on British television. He should stick to his subject—about which he is indisputably knowledgeable — and be restrained from airing his less knowledgeable views on cookery (February 4). Perhaps someone should tell him about Philippa Davenport!

For if he had tasted Joyce Molyneux's salmon in pastry with ginger and currants it is highly unlikely he would have worded the final paragraph of his review quite so disparag*ingly. As someone who has* tasted—and cooked—this dish I'm convinced he's wrong to condemn it out of sight.

Margaret Tribe.
25 Castletown Road, W14.

Taking the waters

From Professor D. Myddelton

Sir, — Why the fuss about privatising water supply? More than 350 years ago it was a private entrepreneur, Sir Hugh *Myddelton*, who brought water to London.

Admittedly King James I originally owned half the New River enterprise (in non-voting shares); but Charles I soon sold the investment to Sir Hugh Myddelton in return for £500 a year.

Professor Bernard Bradden's recent legal history of the New *River suggests that* "had the Crown retained the royal moiety it would have done fifty times better." So government problems in valuing assets for sale are nothing new.

The water supply assets of the New River Company were nationalised only in the present century. So it is public, not private, ownership that is historically exceptional.

(Professor) D. R. Myddelton.
Cranfield School of Management,
Cranfield, Beds.

The competitive position of UK manufacturing industry

From Professor G. Maynard

Sir,—Lord Kaldor, *Professor* Thirlwall and Mr Seabright (February 3, 1 and 4) seem to agree with the central thesis of my article, namely that UK trade in manufactures had to move into deficit as North Sea oil came on stream, and presumably they also agree that this fact should be separated from the question whether UK manufacturing production had to fall so much in absolute terms.

Lord Kaldor naturally puts the whole blame for the latter *development* on the mistaken policies of the Government whereas I suggested that in evaluating these policies the worldwide recession following the oil price rise of 1979-80 and the economic policy case for using a high exchange rate to bring down inflation and raise the productivity of both labour *and* capital should at least be taken into account. It is well-known that Lord Kaldor is against using monetary policy and a high exchange rate to *lower* inflation and perhaps no more need to be said on this except that it is not at all clear what other policies would have achieved similar results if UK history of the 1970s is anything to go by. But Lord Kaldor is wrong when he claims that manufacturing production in all other major Organisation for *Economic Co-operation and De*velopment countries increased or was maintained after the second oil price shock. OECD main economic indicators show *that in OECD countries gener*ally manufacturing production fell by around 5 per cent between 1980-82 and had not fully recovered to the earlier level even by 1983. Not all countries record statistics of manufacturing output, but industrial production fell substantially in all the main industrial countries.

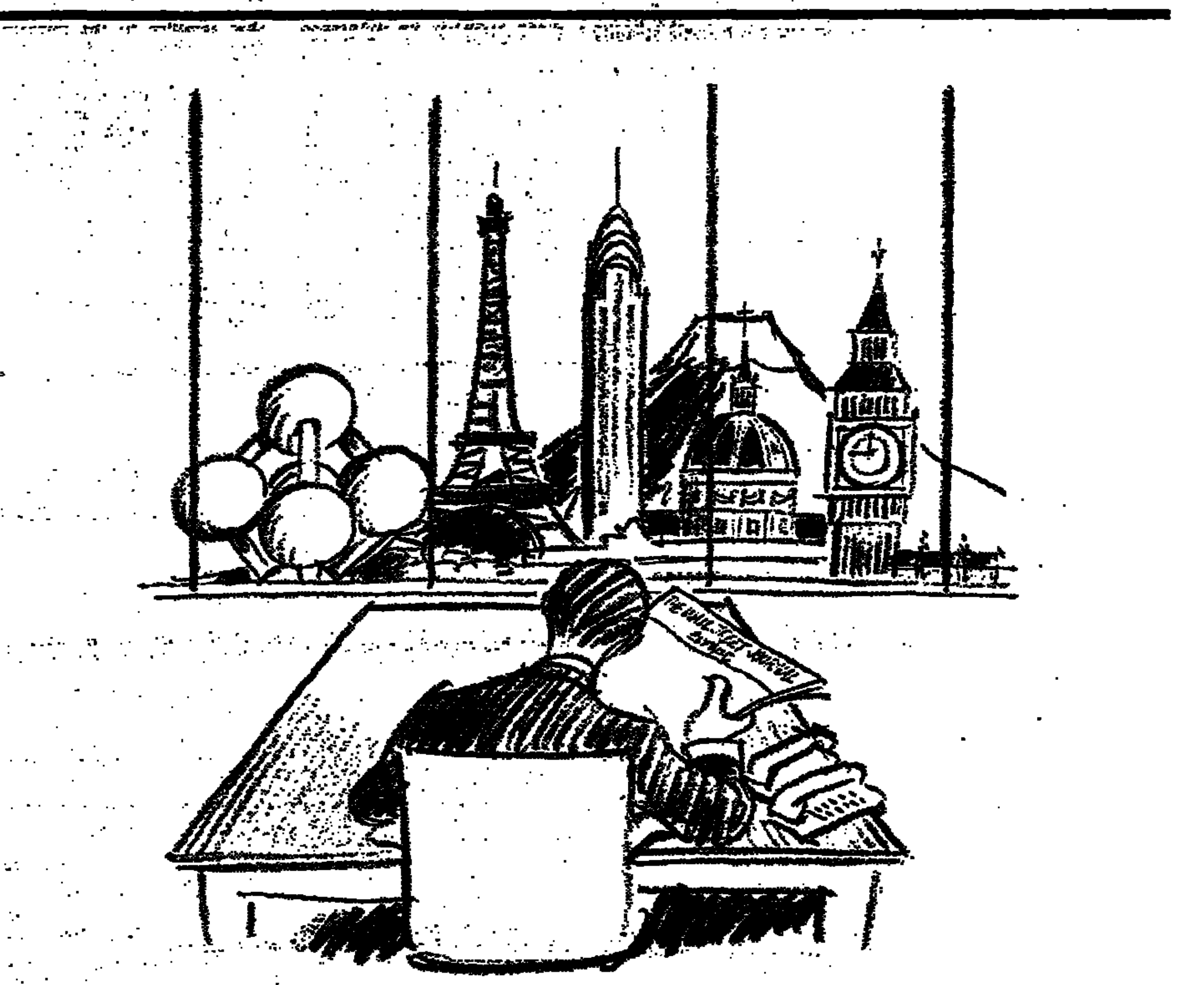
Prof Thirlwall and Mr Seabright accuse me variously of complacency, lack of concern, and breezy optimism. The attempt, however, to employ calm economic analysis to a serious problem hardly justifies any of these charges. Both Thirlwall and Seabright overlook the significance of my last paragraph which, although employing a less emotive style than Thirlwall's, points to the potential constraint on UK GDP and employment growth if the competitive position of UK manufacturing industry does not improve as North Sea oil runs out.

Prof Thirlwall, in confusing *analysis and prescription, spurns* my suggestion that the UK's real exchange rate will tend to fall as oil-production diminishes and the oil price falls; but he is rather short on suggestions as to how the UK's net manufacturing export performance will improve without it. He is known to be a supporter of a policy of expanding domestic demand in the UK but it is not at all clear how this alone solves the UK's manufacturing trade problem.

Seabright totally ignores the impact of a fall in oil price which, if sustained, also affects the expected value of UK North Sea oil resources and therefore the real exchange rate. Both Thirlwall and Seabright seem oblivious of the fact that the UK's effective real exchange rate has already fallen substantially in the past week or so, a fact which I can assure Prof Thirlwall has nothing to do with my intervention. The important question is whether this gain in competitiveness will be sustained or instead will be rapidly eroded away by faster domestic inflation; and I am surprised that none of the contributors to *this debate has focused* on what seems to me to be the key issue, namely, how to bring about a sustained fall in efficiency real wages in UK manufacturing industry relative to our principal competitors.

I would like to suggest to Mr Miskin (February 3) that having a foot in both a major bank and a university can provide an insight to the problems of both industry and education. Unlike Lord Kaldor, my criticism of the Government *would be directed much less at* its macroeconomic policy than at its policy for education and for its rather belated recognition of the importance of industrial *training, but this criticism* could be directed at all post-war governments including those served by Lord Kaldor himself.

(Prof) Geoffrey W. Maynard.
Chase Manhattan Bank,
3 Shortlands, W6.



FINANCIAL TIMES

Monday February 10 1986

Terry Byland on Wall Street

Challenger causes reappraisal

THE EXPLOSION of the Challenger space shuttle has brought a general reappraisal on Wall Street of companies involved in the space exploration industry.

Any questions of specific responsibility must await the findings of the official inquiry into the disaster, due within three months. But Wall Street already accepts that the loss of the Challenger may affect the wider environment for the industry.

The initial reaction on the stock market – to back away from the shares involved – lasted barely a day. Stocks in Lockheed, prime contractor on the shuttle project with 70 per cent, and of Rockwell, which built Challenger, have since rallied and now stand slightly higher than on the eve of the launch – albeit in a market where the Dow Jones industrial average has gained 50 points, more than 3 per cent.

Morton Thiokol, supplier of the shuttle rocket bosters around which doubts first focused, has been less successful. It is still about 11 per cent off. Little changed, but unsettled, are Martin Marietta, which supplied the fuel tanks, and Grumman which shares with Thiokol that part of the shuttle contract not directly in Lockheed's hands.

Wall Street has already ruled out questions of financial responsibility for the shuttle vehicle, since the National Aeronautics and Space Administration (Nasa) effectively indemnifies its contractors. Personal liability suits on behalf of the non-military victims remain an unknown possibility.

The first serious hurdle for Lockheed, Thiokol, Marietta and the many other smaller sub-contractors, is the delay to the shuttle programme announced after the disaster. That is unlikely to be lifted until after the offical report and might last for six months. Nasa, which will be re-assessing its launch programme over the next fortnight, is believed to have already told Thiokol not, for the present, to load any more shuttle casings with fuel.

Wall Street, however, is certain that the delays are merely temporary. President Ronald Reagan has reaffirmed the US commitment to the space programme. Nasa is unlikely to make significant alterations to its present schedules for 15 shuttle launches this year, 17 next year and 24 in 1988.

If the programme is safe, what about the existing contractors? "Nasa really has no choice but to use these same people," says Mr Robert Bartels of William Blair in Chicago, where Thiokol is based. Nasa invited competitive bids for the boosters last time round, but it would not be easy to change suppliers. It might take about $100m and four to five years to bring another booster engine maker up to speed.

Thiokol took about 17 per cent of its $1.8bn sales in 1985 from shuttle boosters. More than half of its revenues came from salt and special chemicals. Mr Bartells is keeping his Thiokol earnings forecasts unchanged at $2.75 for this year, a gain of 12.7 per cent. A cut of 75 per cent on shuttle sales would take 15 cents off earnings, he concedes.

The loss of the Challenger also raises the question of whether Nasa can sustain its present operations on the three shuttles now left available.

Mr Jim Vail, aerospace analyst at Eberstadt, sees a strong likelihood that a fifth shuttle will be built. The prime beneficiary would be Rockwell, which will probably make a pre-tax return of 7 to 8 per cent on its $1bn shuttle-related revenues this year. Rockwell's space-related revenues are winding down and a contract to build another shuttle would be a handy boost to earnings.

The financial impact of a new shuttle on Lockheed would also be "very attractive," Mr Vail says. Managing the shuttle contract involves preparing the space vehicle for flights, training personnel and many other related functions, which between them will generate some $500m in revenues this year out of about $10bn for the group as a whole.

The other possible result of the Challenger disaster is that the space programme may be re-directed towards the use of non-manned rockets, or expendable launch vehicles (ELVs). Such programmes were largely shut down three years ago when President Reagan ruled that the manned shuttle was to be the main space vehicle.

The Delta ELV, managed by essentially corporate investors, is winding down, as is the Atlas and the Saturn, the one that could most readily be expanded is the Titan, made by Martin Marietta and operated by the US Air Force, which is known to be displeased with the often-postponed shuttle launchings.

British ministers clash on Conservative policy

BY PETER RIDDELL IN LONDON AND KEVIN BROWN IN BLACKPOOL

BRITISH CABINET ministers openly clashed at the weekend about the Conservative Government's strategy and style in the approach to the next general election. The disagreements highlighted divisions in the ruling party in the wake of the Westland and BL affairs.

At a sometimes rowdy conference of the Young Conservatives in Blackpool Mr Peter Walker, the Energy Secretary, and Mr Michael Heseltine, the former Defence Secretary, both urged radical changes in the Government's approach. This was in face of strong calls for loyalty to Mrs Margaret Thatcher, the Prime Minister, from Mr Norman Tebbit, the Conservative Party chairman, and Sir Geoffrey Howe, the Foreign Secretary.

In many respects the most significant intervention came from Mr John Biffen, leader of the House of Commons, in a letter to the chairman of his constituency party. He warned against too raucous and aggressive an approach in what amounted to a scarcely veiled attack on Mr Tebbit's style.

Mr Biffen warned that "the language of conflict can easily degenerate into self-defeating aggression. Such an approach would be perverse. Toryism is not a raucous political faction. The new Tory radicalism has shifted the centre ground; it must not desert it."

By contrast yesterday, Mr Tebbit strongly attacked Labour which represented the "primrose path to serfdom" and criticised several Labour leaders by name.

These clashes are, in part, about presentation, but they also reflect a growing debate within the Cabinet about whether there needs to be a modification of policy if the Conservatives are to win the next election which must be held by June 1988.

The Westland affair will not disappear quickly. There is likely to be further opposition pressure in the Commons today for a full statement about the allegations by Mr Alan Bristow, the UK helicopter millionaire with a 17 per cent shareholding in Westland, that he was offered a knighthood by two Conservative peers to change sides. Any government involvement has been firmly denied. Moreover, the House of Commons defence select committee will consider tomorrow whether to recall key witnesses.

Heseltine speech, Page 19
Editorial comment, Page 14

Gatt nations head for clash over venue for trade talks

BY WILLIAM DULLFORCE IN GENEVA

THE WORLD's trade ministers will meet on September 15 to launch a new round of multilateral trade negotiations – but they do not yet know where they will be gathering. The preparatory committee for the talks is having difficulty in deciding between some tenacious rivals for the venue.

In Geneva, there is irritation over the persistence of Brussels and Montreal has mounted a well-organised challenge to Punta de Este, Uruguay, the early favourite. Singapore is hovering in the wings.

The majority view among delegations to the General Agreement on Tariffs and Trade (Gatt) has been that it would be proper and clever politically to choose a developing country.

Third World countries have been sceptical about the benefits which a new round might offer them. Last year a small group stubbornly resisted the wish of the US and its partners to get the talks going. The old jibe about Gatt being a rich man's club is not dead.

Many permanent delegates in Geneva consider that the selection of a developing country as host for the talks would be a conciliating gesture – an assurance that the new round would address Third World issues and as a means of ensuring genuine involvement in the talks by developing countries.

From this viewpoint Brussels would be second only to Washington as the wrong choice. The US and the European Economic Community, the two most important trading blocs, are also the biggest sinners against Gatt regulations. They are suspected of seeking to use the trade talks to settle their own problems at the expense of the Third World.

The EEC Commission does not accept this argument and is urging that the launching ceremony should be held in Brussels. Mr Willy de Clercq, the Trade Commissioner, has been pressing the EEC team in Geneva to ensure that Gatt's earlier Kennedy and Tokyo rounds will be succeeded by a Brussels Round. He apparently has the support of several member countries, including Britain.

The Canadians are making a strong bid for Montreal as a reasonable alternative.

Washington has so far kept out of the argument, not wishing to offend the EEC and Canada which backed it in bringing about the new round. But at the same time, it is not indifferent to the claims of the developing countries.

Jardine improves debt position

BY DAVID DODWELL IN HONG KONG

JARDINE MATHESON, Hong Kong's oldest colonial trading company, will show significantly reduced debt, the first improvement in net worth for three years, and the successful disposal of its remaining shipping fleet when it announces 1985 results in six weeks' time.

There are also signals that the group is poised to sell a part of its 35 per cent holding in Hongkong Land. The HK$6bn (US$769.2m) protective investment made in 1980 has proved to be Jardine's most serious strategic blunder in its 143-year history. The sale of a proportion of its holding could release substantial funds for fresh investment.

Mr Simon Keswick, chairman of Jardine Matheson, disclosed last week that he aimed to announce that the group has rid itself of what he called its "nightmare fleet" when he presents the group's 1985 result at the end of March. Jardine owned 33 vessels three years ago. Withdrawal from ship-owning will have cost it over HK$1bn in provisions since 1982.

Coming close behind Jardine's recent US$61.9m purchase of Emett and Chandler, leading US insurance broker, its withdrawal from ship-owning marks a watershed in its recovery.

The Emett and Chandler deal is the first large acquisition by Jardine since the disastrous purchase in Hongkong Land in 1980. It comes after a series of asset sales aimed at securing the group's survival.

When he presents the group's 1985 results, Mr Keswick is likely to show that HK$2bn of debt was repaid to creditor banks in 1985, reducing long-term debt to about HK$2.8bn at the year's end. Debt service costs lightened by falling interest rates, are unlikely to pass HK$400m, compared with HK$600m in 1984 and HK$700m in 1983.

Mr Keswick is likely to show that disastrous corporate moves made in 1980 during Hong Kong's stock market boom have at last been unravelled, albeit at immense cost to the company, and that a new and more balanced growth strategy has been devised. Properties have been disposed of and provisions made against loss-making oil and gas exploration activities in the US.

Background, Page 19

Bulls ignore US profits gloom

Continued from Page 1

IBM's full-year profits slipped by 0.4 per cent to $6.55bn on group revenues of $50bn.

Mr Akers' downbeat message was echoed by a large segment of US industry. Among the heavyweights of US manufacturing industry General Electric struck a particularly sour note as it announced its smallest annual profits increase in a full decade.

GE's 1985 earnings increased by a modest 2 per cent to $2.34bn on sales which grew by a mere 1 per cent to $28.3bn.

Although the US economic recovery is now in its fourth year the latest message from many basic industries remains surprisingly gloomy.

US Steel's earnings fell 17 per cent to $409m on flat sales of slightly more than $19bn. Its earnings would have been considerably worse had it not been for the profits from its Marathon Oil subsidiary. The remainder of the battered steel majors were less fortunate. Bethlehem Steel, a revered name in the world steel industry, ran up losses of $196m. Bringing its cumulative losses since 1982 to $1.94bn.

LTV, which is still struggling to digest its 1984 acquisition of Republic Steel, lost $724m.

In the oil industry, companies, ranging from Atlantic Richfield to Sohio and Mobil, have written off several billion dollars of their assets to reflect the changed circumstances within which they operate. Unlike the steel industry, many of these compani ave chosen to take substantial restructuring charges from a position of strength rather than fundamental weakness. Generally, Wall Street has applauded these companies for their house-cleaning efforts.

Dow Chemical and Du Pont are fairly typical of US companies which have streamlined their operations. They contrasted their weak 1985 results with the prospect of better earnings this year, resulting from their slimmed-down cost structure.

Most chief executives remain guarded in their assessment of their companies' immediate prospects, but there are some indications buried in their latest statements that better times may be ahead.

Much of the optimism that the fourth quarter marked the start of a renewed period of corporate earnings growth was pinned to the decline in US interest rates and the dollar.

Lower interest rates, coupled with a buoyant securities market, have already fuelled a strong earnings rebound in the US financial services industry.

Nedbank managing director resigns

By Jim Jones in Johannesburg

MR ROB ABRAHAMSEN has resigned as managing director of Nedbank, South Africa's third largest banking group. His place as the group's chief executive officer has been taken by his predecessor, Mr Gerry Muller.

Mr Abrahamsen's resignation coincides with plans to restructure Nedbank's capital which involves raising additional equity funds.

Mr Abrahamsen, who is 46, said that his sudden resignation was for personal reasons and had nothing to do with Nedbank's difficulties. Nevertheless, it is widely believed in Johannesburg that his decision to leave the bank – which is the most affected by South Africa's debt moratorium – will add to the insecurity felt by the country's foreign creditors.

These are due to meet in London on February 20 to discuss proposals for rescheduling about $14bn of short-term borrowings owed by South Africa.

In Johannesburg uncertainty has been compounded by Nedbank's announcement that it needs to raise new capital to comply with the more stringent requirements envisaged by the Banks Act. Capital restructuring arrangements are being examined and Nedbank has initiated negotiations with Old Mutual, its largest shareholder and the country's largest insurance company, on participating in the new capital issue and its underwriting.

Under Mr Muller's previous management Nedbank grew strongly on a domestic base. In 1983, when Mr Abrahamsen was appointed chief executive offic er, it began aggressively to compete in foreign financial markets and was responsible for managing a large portion of the increase in South Africa's foreign borrowings.

During this phase, which came to a halt last year with South Africa's unilateral declaration of a moratorium on foreign debt repayments, Nedbank failed to follow competitors such as Barclays and Standard with improved disclosure of operating performance. If anything, reporting was characterised by greater rather than lesser secrecy.

According to sources inside the South African Reserve Bank Nedbank was cautioned more than once of the possible consequences of its aggressiveness in seeking foreign funds. Reserve Bank officials pointed out to Nedbank's offic ers that the bank was in danger of committing the classical banking error of borrowing short and lending long.

In the event the imbalance between Nedbank's liabilities contributed largely to the country's decision last September to freeze foreign debt repayments and to initiate debt rescheduling talks. At the same time, the Reserve Bank was obliged to give direct guarantees to foreign banks that it would underwrite Nedbank's solvency.

Philippines poll fraud claim

Continued from Page 1

in indelible ink. It also saw many instances of vote buying, intimidation, snatched ballot boxes and tampered election returns.

Mr John Hume, the Northern Ireland politician who is co-head of the delegation, said the observers had seen no irregularities by supporters of the opposition. Despite the evidence of serious malpractices, the delegation refused to speculate about the impact on the outcome as it was still awaiting the election result.

Comelec and Namfrel last night continued their public dispute over the collapse on Friday night of their complicated plan for a parallel "quick count."

The 183-member National Assembly is due to convene later today to begin the official count, which could take at least a week. The confusing "quick counts" may then be halted.

THE LEX COLUMN

Engine trouble on the runway

But for Sir Freddie Laker, British Airways would have glided into the private sector a year ago this week. Since then, deadlines have come and gone but the company which looked the best advertisement of all for privatisation is still locked inside Britain's public-sector hangar. Both the Government and the company are putting a brave face on the delays, insisting that BA will finally be launched in the summer, early July being the most likely date. The roadshows have been on the road and in the air, while the advertising and marketing compaigns are as ready now as they will ever be. But, for all the bravado, the distance between BA and privatisation is not to be measured just in months.

Two important issues still separate BA and the Treasury: the outstanding litigation over the Laker collapse and the structure of the airline's balance sheet. The Laker problem has been far more troublesome than anyone within BA had imagined. The long-delayed 1984-85 accounts contained a provision of £33m against the cost of the settlement with the Laker liquidator and the battle is not over yet. Settlement of the associated class action should finally be approved by the end of March but BA, together with 13 other airlines, still faces a $300m claim by former Laker employees, as well as a very much smaller action by a Californian travel agent.

Yet none of these actions should stand in the way of a flotation. KLM, TWA and Pan Am all raised capital in 1983 while the Laker suit was pending and Texaco continues to trade on Wall Street despite a damages award which, if imposed, would very possibly bankrupt the company. BA's own liability is small in relation to a net worth of over £500m and is unlikely to exceed the cost of one aircraft unexpectedly overshooting a runway. While British shareholders are not familiar with lengthy accounting notes under the heading litigation, they are common enough in the US.

Moreover, the statute of limitations effectively precludes any fresh action against the company. So long as the class action, for which provision has been made, is laid to rest by next month, there should be no legal impediment to a summer launch. The Government should certainly not grant a privatised BA any indemnity against future settlements, but then BA has not sought one.

The more tricky question concerns the company's financial structure. By the end of next month, BA's financial year-end, the company should be sporting what is – by the standards of the airline industry – a healthy balance sheet. At a rough guess, net debt will be about £300m, equivalent to 60 per cent or less of shareholders' funds. The Government argues, with some logic, that most international airlines would be delighted with such a balance sheet. BA maintains, however, that the March balance sheet will take no account of operating leases totalling £1bn which must at some point either crystallise into published debt or disappear together with the underlying assets. Nor, it argues, does its capital base provide strong enough support for a major aircraft replacement programme costing £5bn over the next 10 years.

BA has therefore proposed that, if the Government is unwilling to recapitalise the company, it should be permitted to raise fresh equity either at the time of the issue, or shortly afterwards. This idea has not won much official favour either. The Government fears that if it allowed BA to pump up its balance sheet, other airlines (not least British Caledonian) would claim to have been disadvantaged. There is, on the face of it, no reason why BCal should not also seek capital from its shareholders, but that is scarcely the political point.

Unless these differences can be resolved before the end of next month, it is probable that the BA launch will be delayed yet again. And, with British Gas *inter alia* seeking privatisation slots, it is conceivable that BA would not be floated before the next election. BA is, by common consent, a more appropriate privatisation candidate than Britain's waterworks. It would be an embarrassment for the whole privatisation programme if Mr Roy Watts, chairman of the Thames Water Authority and a past chief executive of BA, made it to the private sector before the airline's Lord King.

Italy

A merchant bank by any other name would smell as sweet; but Britain's Kleinwort Benson is taking great pains to ensure that its new venture in Italy, announced last week, is called by any other name. ABK, as the joint venture of Kleinwort, 12 north Italian co-operative banks and a Milan businessman is to be known, is an adventure in corporate financial services: mergers and acquisitions, loan syndications, new issues, currency swaps and the like. This is not a merchant bank in Italy, although what constitutes a merchant bank in Italy remains as unclear as ever: the present bill on the subject before parliament, which may or may not become law, seems primarily concerned with allowing the commercial banks to convert their bad loans into equity participations in unlisted companies. The Kleinwort arrangement looks to be infinitely preferable.

The Italian primary and secondary markets are so inefficient that the opportunities for the brave are great; and the UK banks and brokers who last year piled into the demand-led surge in the Milan equity market – even with the delays in settlement that now stretch to six months – must have all turned an eye to doing something about the supply side. Kleinwort has been involved in advising the 12 banks on the management of their extremely cautious unit trusts. And Kleinwort is not alone among UK merchant banks in provisioning rear positions in continental Europe in time for the onslaught of the heavy battalions in London in October.

The particular advantage of this deal lies in the corporate client base and the placing power of the 12 banks, which operate in the richest area in Italy, not to say Europe. Having been starved of funds through public-sector crowding and their own distaste for the equity market, Italian companies are showing every sign of wanting more than overdrafts at crippling real rates; while the bourse is providing a source of long-term capital for the first time in its history.

That the Milan equity market has multiplied turnover tenfold without dropping dead is some sort of tribute to Italian back-offices. But as yet, the break-down in the settlement system has done nothing more harmful than transform UK institutions into long-term investors in faraway companies of which they know nothing. With another $2bn raised by the unit trusts in January, the Italian bull market shows no sign of running out of steam just yet – least of all now that the fall in oil prices should permit a boost to economic growth without forcing official intervention to protect the current account.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	9	48	Dubrovnik	R	10	50	Malta	R	13	55	Rhodes	F	16	61
Algiers	–	—	—	Edinburgh	C	0	32	Manchester	Sn	1	34	Rio de J'o	C	39	102
Amsterdam	S	−7	19	Faro	F	13	55	Manila	S	29	84	Rome	S	8	46
Athens	C	14	57	Florence	C	1	34	Melbourne	F	23	73	Salzburg	Sn	−8	18
Bahrain	S	20	68	Frankfurt	F	−13	9	Mexico City	F	21	70	San Francisco	F	15	59
Bangkok	S	33	91	Funchal	F	18	64	Miami	C	25	78	Seoul	S	−1	30
Barcelona	S	9	48	Geneva	C	−7	19	Milan	F	−1	30	Singapore	R	29	84
Beirut	F	14	57	Gibraltar	F	16	61	Montreal	C	−12	10	Stockholm	F	−8	18
Belfast	C	1	34	Glasgow	C	1	34	Moscow	S	−9	16	Strasbourg	C	−10	14
Belgrade	S	5	41	Guernsey	F	2	36	Munich	Sn	−9	16	Sydney	S	39	102
Berlin	Sn	−12	10	Helsinki	Sn	−9	16	Nairobi	S	29	84	Taipei	C	10	50
Biarritz	S	1	34	H. Kong	C	14	57	Naples	R	7	45	Tangier	F	14	57
Bombay	F	27	81	Innsbruck	C	−9	16	Nassau	—	—	—	Tel Aviv	R	11	52
Bordeaux	S	−2	28	Inverness	C	1	34	New Delhi	F	16	61	Tenerife	—	—	—
Brussels	S	−10	14	Islamabad	C	18	64	New York	Sn	2	36	Tokyo	F	7	45
Budapest	F	1	34	Istanbul	R	6	43	Nice	Sn	1	34	Toronto	Sn	−4	25
B. Aires	C	30	86	Jakarta	R	32	90	Nicosia	F	17	63	Tunis	C	11	52
Cairo	F	16	61	Jersey	F	3	37	Oporto	S	9	48	Valencia	S	11	52
Cape Town	S	22	72	Jo'burg	F	25	77	Oslo	C	−2	28	Venice	F	0	32
Caracas	C	28	82	Lima	S	27	81	Paris	S	−5	23	Vienna	Sn	−10	14
Casablanca	C	14	57	Lisbon	S	7	45	Peking	F	2	36	Warsaw	Sn	−4	25
Chicago	Sn	−1	30	London	Sn	−1	30	Prague	Sn	−13	9	Washington	—	—	—
Cologne	S	−13	9	Los Angeles	F	16	61	Reykjavik	C	2	36	Zurich	C	−9	16
Copenhagen	F	−4	25	Luxembourg	F	−14	7								
Corfu	R	9	48	Madrid	S	4	39								
Dallas	—	—	—	Majorca	F	10	50								
Dublin	—	—	—	Malaga	—	—	—								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair H-Hail Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

ICI-Enichem PVC plan

BY ALAN FRIEDMAN IN MILAN

ENICHEM, the Italian state-owned chemicals company, and Britain's ICI plan to merge their loss-making polyvinyl chloride (PVC) operations in Europe. The deal would create Europe's largest PVC producer.

The joint venture plan between ICI and Enichem is the fruit of months of negotiations and is a key step toward rationalising the sector, particularly in Europe, where the PVC market suffers from overcapacity of about 20 per cent.

ICI, which has PVC capacity of 570,000 tonnes a year, is losing about £50m ($70m) annually on the business. Enichem's annual losses from PVC are believed to be about $56m a year. When ICI's capacity is added to Enichem's 772,000 tonnes a year, the total comes to 1.34m tonnes a year. But this total capacity could be cut by 25 per cent a year after the merger, which would also see both chemicals companies cutting jobs and closing some plants.

The combined turnover of the merged ICI and Enichem PVC operations is likely to be about $880m a year. The venture will be on a 50-50 basis and the prime goal will be to reduce loss levels at both companies.

There are 12 PVC manufacturers in Europe, including Solvay of Belgium, which is the largest with about 900,000 tonnes of capacity, and Hoechst of West Germany, with less than 500,000 tonnes.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday February 10 1986

EURONOTES AND CREDITS

SNCF deal unlikely to be imitated

THE FASHION for securitisation or making loans marketable has always been one of the driving forces behind the development of the Euronote market, writes Peter Montagnon in London. Last week SNCF, French state railways, took the process a stage further when it announced its new $600m facility.

Behind the deal lies an attempt to securitise the underlying back-stop credit which the borrower needs to back up sales of short-term notes. Instead of a traditional revolving credit, SNCF is to offer a $60m floating-rate note, holders of which will be committed to buying a further $540m in Euronotes carrying a yield ⅛ point over the London interbank offered rate (Libor).

The deal, being put together by Credit Lyonnais alongside Shearson Lehman Brothers as advisers, is now fully underwritten, although with a striking absence of US banks. It has also provoked considerable controversy in the market-place.

Some bankers regard the securitisation of back-stop facilities as the next logical step in the development of the Euronote market. So far, however, it has proved a difficult task – a partly paid floating-rate note organised last summer by Credit Suisse First Boston for Banque Nationale de Paris, which sought to address the problem, is now regarded in retrospect as too cumbersome.

Like that deal, the SNCF package has attracted a large body of detractors, one of whose doubts is the marketability of the paper.

Shearson Lehman argues that since the facility is underwritten that is now the only point at issue. Its market research shows that there is demand for the SNCF floating-rate notes because they offer a generous margin of ¼ per cent over six-month Libor.

Other bankers are not so sure that this return is enough to offset the commitment to buy Euronotes – investors who do not fulfil this commitment forfeit their paper – while the issue is also a small one that will therefore lack liquidity.

It will not be possible to judge the market response until the bond is launched in about two weeks' time. Meanwhile, it is already clear that the structure poses accounting problems for some banks that have been asked to act as guarantors.

Guarantor banks have to take on any bonds that may be forfeited because investors have reneged on their commitment to buy Euronotes. At that point the deal becomes very lucrative because of the deep discount at which the bonds would be made available to them.

But until that point guarantor banks will not have received any income from the deal except the total commissions of 16 basis points which net out to the equivalent of a commitment fee of 2.3 points a year.

That, argue many banks, is an insufficient return for what is a contingent liability from day one regardless of the fact that the bank guarantees are never likely to be called. Although SNCF has found willing takers for its deal in continental Europe and Japan, the objections of other banks suggest that this structure, like the BNP/CSFB deal before it, is unlikely to attract widespread imitation.

Algeria is sounding out the market for a $500m Eurocredit that promises to be exceptionally hard to price. While the general trend is towards still lower margins, Algeria's image has suffered because of its heavy reliance on hydrocarbons exports. Furthermore, Middle Eastern banks, which normally play a big role in Algerian deals, have begun to resist low margins.

Among new deals launched last week was a $100m, five-year facility for Pearson, the diversified industrial group whose interests include the Financial Times. Led by Chase Manhattan, the deal carries a facility fee of ⅛ per cent and will be used to restructure existing borrowings as well as to back up future issues of commercial paper in the US.

INTERNATIONAL BONDS

US news hits Eurobond market

FRIDAY brought a miserable end to an uninspired week in the Eurobond markets, writes Maggie Urry in London.

News from the US on unemployment and the Gramm-Rudman legislation hit the Eurobond market almost as hard as the US domestic market. Trading virtually ceased and it was hard to find prices for some recent issues.

The whole week had been dominated by US news, with the quarterly refunding auctions drawing attention if not providing motivation for action. The foreign-targeted portion of the 10-year issue had a poor reception, saving the US Treasury only 5 basis points in yield. By Friday it was trading well below the average auction price at around 97¼, along with the domestic issue.

These targeted issues tend to perform erratically in the secondary market, sometimes yielding more than the domestic counterpart, when some holders have switched the paper back into the domestic market, and at other times being subject to squeezes in the market with the yield falling suddenly.

Pricing and timing new fixed-rate Eurodollar deals was once again a fine art, although lead managers who mastered it were able to sell large parts of their deals before the fall in the market swept them lower.

Canada's issue, for instance, was a great success when launched and was increased from $750m to $1bn, proving much more popular than the US Treasury's 10-year deal. But even that was quoted outside its fees on Friday afternoon. Nevertheless it is destined to become a "benchmark" issue and a highly liquid one. Salomon Brothers' European Community issue, launched on Friday morning, also had a good start before the rot set in.

Deutsche Bank Capital Markets, which led Canada's issue, now holds the record for both the longest (the World Bank 30-year deal) and the largest fixed-rate Eurobond issues. Salomon is eager to remind the market that it once raised just over $1bn for Prudential Insurance of America, although that was with a three-tranche deal.

But there was little hope for any deal that started out too tightly priced, such as General Electric Credit Corporation's $300m issue. By Friday, that was bid at a 4-point discount to issue price. Syndicate managers cannot remember the last time they made money out of a GECC issue, but as long as some of them are prepared to compete aggressively for the mandate, the borrower can hardly be blamed for taking advantage of them.

The gloom in the fixed-rate sector did not spread to equity-linked issues. IBM's long-awaited deal on Friday had a good reception, trading above par and at one point touching 103½. The bonds are exchangeable for Intel shares at a price of $38¼, compared with a closing price on Friday of $30⅛, a hefty premium. Intel, the US chip maker, is making losses and has not been paying a dividend.

Those bonds give investors the backing of IBM, a 6⅜ per cent coupon, and the chance to participate if Intel shares realise the "upside potential" with which Wall Street analysts credit the company. IBM will still be a large shareholder and important customer of Intel.

Also well received were the Thomson Brandt convertible, which has the unusual provision of being redeemable only in shares, and the Burton issue with equity warrants. The Thomson Swiss franc issue is due to be launched today by Credit Suisse.

The Euro-Australian and Canadian-dollar sectors of the market were also in a difficult state by the end of the week, with many issues trading outside fees. The Australian dollar market is now clearly overloaded with paper.

The New Zealand dollar sector is even narrower, and when two new issues clashed on Thursday it was sensible for one, for Avon Capital Corporation, to be postponed. The other, for Banque International à Luxembourg with Groupe Bruxelles Lambert as the final recipient of the proceeds, was increased on Friday from NZ$40m to NZ$50m.

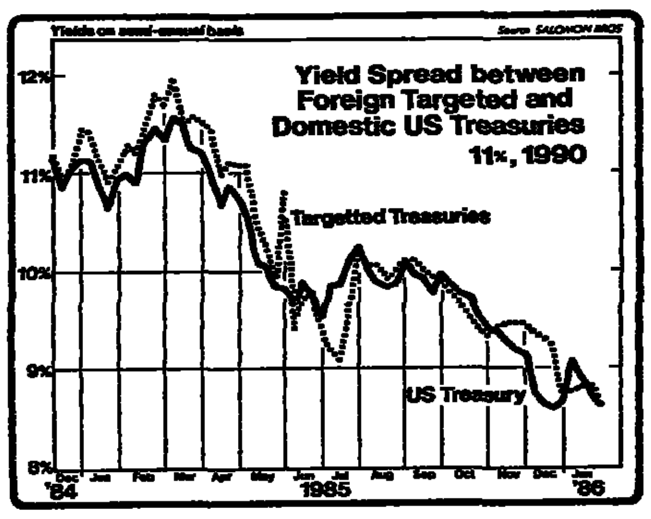
In the continental currencies, the tone was more cheerful. D-Mark bonds rose slightly last week, with traders looking for good news on the domestic inflation front and hoping for interest-rate cuts abroad. New issues were comfortably absorbed, apart from the National Bank of Hungary, which is a rather specialist name for the market.

Here, too, equity-linked issues continue to find the best demand with equity warrants traded as high as 108 on Friday.

The Swiss franc foreign bond market was stable or even firmer last week. On Friday, two new issues traded on the stock market for the first time getting off to a good start. Phibro-Salomon's SFr 110m 5¾ per cent 11-year deal closed at 99½ against the par issue price. Del E. Webb's SFr 50m 6⅛ per cent 10-year issue closed at the par issue price.

On Friday, Inco, the Canadian metals company, made its debut in the Swiss franc market.

The French franc and Danish kroner deals were also well received last week, with the latter being increased to make it the largest single-tranche issue in this market.



EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	4,998.5	—	1,201.8	291.8
Prev	2,027.8	—	2,718.3	285.2
Other	820.7	—	243.1	128.4
Prev	1,318.3	—	707.5	7.0
Secondary Market				
US$	19,763.5	1,128.9	9,660.5	1,978.1
Prev	19,871.8	880.3	11,185.9	1,854.7
Other	7,173.7	130.2	2,196.2	2,513.8
Prev	6,486.4	180.1	1,202.1	2,617.3

	Cedel	Euroclear	Total
US$	13,182.8	25,832.9	39,015.7
Prev	11,206.6	27,597.4	38,804.0
Other	6,655.6	6,414.7	13,070.3
Prev	6,768.0	5,731.7	12,499.7

Week to February 6 1986 Source: AIBD

SHF Bank bond average

February 7	Previous day
105.445	105.447
High	**Low**
105.462	105.038

Beijer boosted by Skandia share sale

INVESTMENT AB Beijer, the Swedish investment company dominated by Mr Anders Wall, the Swedish financier, increased its profits (after financial items) by 73 per cent last year to SKr 449m ($59.8m) compared with SKr 260m in 1984, writes Kevin Done in Stockholm.

Profits were boosted by a big jump in capital gains from share sales – an increase to SKr 328m from SKr 218m in 1984 – as well as by one-off profits accruing from its large shareholding in Skandia, the Swedish insurance group.

Through its stake in Skandia, Beijer received a substantial one-off dividend in the form of purchase rights for shares in Skandia International Holding, the insurance group's international operations which were floated as a separate company towards the end of 1985.

Under Swedish tax rules for investment companies the income from the rights is to be seen as dividend income, of which at least 80 per cent must be distributed to shareholders.

Beijer's dividend income jumped as a result of the Skandia holding to SKr 139m last year from SKr 66m in 1984.

It has decided to distribute the so-called Skandia bonus, worth SKr 4.10 a share over two years.

As a result Beijer is planning to pay a dividend of SKr 5.75 for 1985 – made up of an ordinary dividend of SKr 3.90 (SKr 3.85 for 1984) plus a bonus of SKr 1.85.

In addition Beijer is making a one-for-five scrip share issue increasing the company's nominal share capital by SKr 136m to SKr 816m.

The 2.72m new shares will be issued as B-free shares, with one-tenth of a vote and open for purchase by foreigners. Beijer said the bonus share was a step in the further internationalisation of the group. Beijer, already quoted on the Stockholm and London stock exchanges, plans to apply for listing in Oslo and Helsinki.

Beijer's share portfolio was worth SKr 2.8bn at the end of 1985 compared with SKr 2.3bn a year earlier, an increase of 37.9 per cent in value after adjustment for share sales and purchases.

Cummins net income falls to $50.4m

CUMMINS ENGINE, the US diesel engine producer, reported a sharp fall in profits last year as a result of a sudden decline in the heavy truck market, starting in midsummer, writes Terry Dodsworth in New York.

Net income plunged to $50.4m or $5.27 a share, from $187.9m, or $19.76 a share, while sales declined to $2.15bn from $2.33bn. The amount of the fall was exaggerated to some extent by a $20m charge this year for plant restructuring and workforce reductions, while the figures were helped last year by a net $18.3m tax credit.

In the quarter, earnings fell to $15.6m, or $1.63 a share.

Bloedel lifts net profits to C$42.9m

MACMILLAN BLOEDEL, the Canadian West Coast timber and paper producer, raised net income to C$42.9m (US$30.6m) or 54 cents a share last year, from C$19.3m, which is equal to a loss of 19 cents a share, in 1984, writes Bernard Simon in Toronto.

Sales rose from C$2.13bn to C$2.34bn.

The sharp improvement in financial performance is due partly to a long strike in British Columbia pulp mills, which depressed earnings in early 1984. Markets for many forest products remain in the doldrums and the company said it expected "no sharp growth in demand for our products."

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Wall St weathers Gramm-Rudman storm

THE FEDERAL Reserve Board's policy-making Federal Open Market Committee (FOMC) meets tomorrow ahead of Mr Paul Volcker's Humphrey-Hawkins Congressional testimony on February 19.

The FOMC's policy deliberations will be the first attended by Mr Manual Johnson and Mr Roger Angell as Fed governors, is expected to reaffirm the Fed's currently stable policy stance while setting monetary targets for this year.

The FOMC's policy deliberations will take place against a backdrop of an improving economic outlook and the uncertainty generated by the court ruling that part of the Gramm - Rudman balanced budget amendment is unconstitutional. These and other factors also dominated volatile trading in the US credit markets last week.

Bond prices started the week on a high note as investors reacted to the improved inflation prospects implied by the recent sharp oil price decline, but quickly turned soft in response to the modest investor demand displayed at the Treasury's mid-quarterly refunding.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.80	7.84	7.72	8.71	7.10
Three-month Treasury bills	7.21	6.98	7.20	8.75	6.67
Six-month Treasury bills	7.26	7.05	7.20	9.20	6.81
Three-month prime CDs	7.85	7.74	7.84	9.40	7.33
30-day Commercial Paper	7.70	7.70	7.75	8.95	6.95
90-day Commercial Paper	7.70	7.80	7.75	9.20	7.00

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	99¾	-¾	9.07	8.87	9.25
20-year Treasury	99	-¼	9.49	9.46	9.78
30-year Treasury	99⅞	(new)	9.28	(new)	(new)
New 10-year "A" Financial	N/A	—	9.95	9.90	10.08
New "AA" Long utility	N/A	—	10.50	10.50	10.63
New "AA" Long industrial	N/A	-⅛	10.30	10.38	10.60

Source: Salomon Bros (estimates).

Money Supply: In the week ended January 27 M1 rose by $2.7bn to $628.6bn.

The refunding brought investors average yields of 8.11 per cent on the three-year notes, 8.97 per cent on the 10-year notes and 9.28 per cent on the new 8⅞ per cent 30-year long bonds.

But the credit markets were hardest hit on Friday in the wake of the release of an upbeat January employment report. The employment data showed the second straight month of strength, including a 0.2 per cent decline in the civilian unemployment rate to 6.7 per cent and a 565,000 increase in non-farm payroll employment.

"While a closer inspection of the employment data does not paint as robust a picture—average hourly and weekly earnings declined slightly and manufacturing gains were modest—the weight of evidence gives Mr Volcker an advantage in gainsaying those critics arguing for a more accommodative stance," says Dr Henry Kaufman of Salomon. He adds that Mr Volcker "is likely to reaffirm the preliminary targets for 1986 monetary growth set back in December."

After posting declines of as much as a full point in the immediate wake of the January employment report, bond prices managed to recover somewhat before being hit by a second storm when a Federal court panel, as expected, ruled that the automatic spending cuts provision contained in Gramm-Rudman is unconstitutional. The court held that the sequestration process, which requires automatic spending cuts if the deficit reduction targets are not met, would give the Comptroller General unconstitutional executive powers.

The ruling, which will now be appealed to the Supreme Court, initially knocked bond and equity prices back, though prices made up most of their losses as investors took a closer look at the ruling and realised that it was unlikely totally to undermine the momentum towards reducing the Federal budget deficit.

Nevertheless, the court decision does raise uncertainties about fiscal relief, at least in the near term. Combined with the recent stronger than expected US economic data, most Wall Street economists believe the Fed will be encouraged to hold steady. "These factors combined should spell the end to any lingering market speculation of further overt easing moves," says Dr Kaufman.

As a result, Treasury bond prices closed a modest ¼ to ½ of a point down on the week. The credit markets all but ignored President Ronald Reagan's fiscal 1987 budget which calls for a $143.6bn deficit in line with Gramm-Rudman.

In the money markets, short-term taxable interest rates rose by between 10 and 25 basis points while tax-exempt rates dropped by 5 to 45 basis points.

Corporate bond prices were also marked down by as much as 1½ points while new issue yields were mixed.

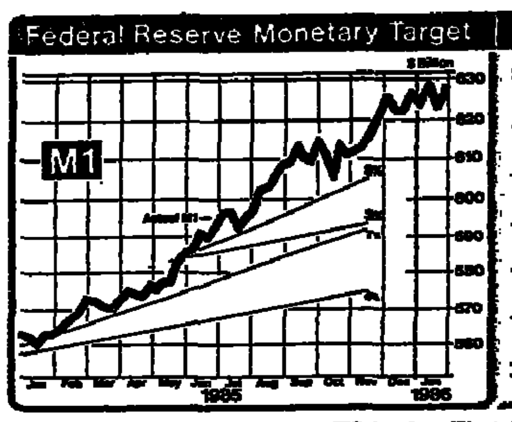
Last week saw almost $2bn in new fixed income securities brought to market, according to First Boston estimates. The latest tranche brings the year-to-date total to $24.9bn—a remarkable 412 per cent increase over the comparable 1984 period.

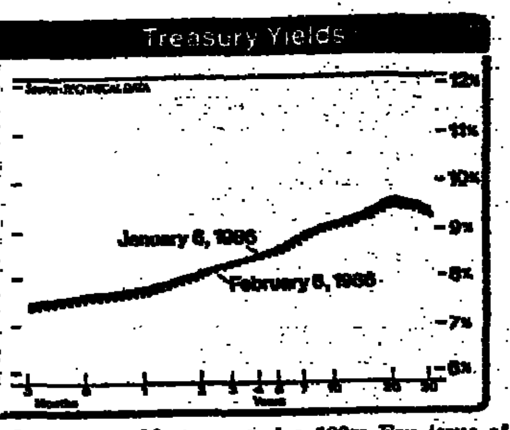
Among the new issues brought to market and traded last week for the first time were four Australian dollar Yankee issues launched by large US banks. First Interstate sold A$100m of 14½ per cent three-year notes at par, Manufacturers Hanover sold A$100m of three-year floating rate notes, Bankers Trust launched an A$100m issue of five-year floating rate notes and Mellon Financial sold A$100m of 14 per cent three-year notes at par.

Other innovative offerings included a NZ$100m issue of five-year floating rate notes for the Student Loan Marketing Association—the first of its type—and a 100m Ecu issue of 10-year 8⅝ per cent bonds for the Federal Home Loan banks with Bear Stearns acting as lead manager.

Bear Stearns said the Ecu proceeds were swapped into fixed-rate dollars, resulting in a $90m borrowing at below market interest cost for the Federal agency and an Ecu borrowing at below market cost for an unidentified counterparty.

Paul Taylor





UK GILTS

Market calmer on interest rate prospects

THE GILTS market pushed thoughts of a rise in base lending rates to the back of its mind last week in response to unexpectedly good news on the monetary front. An unhappy Monday morning saw sterling drop to 73.5 on the Bank of England's trade-weighted index, and gilts followed suit with losses of up to ¾ of a point. But the money supply and official reserves figures set all to rights. By mid-week, long-dated gilt yields were back to 10.66 per cent, where they had ended the previous week.

The dramatic drop in bank lending to only £400m wrong-footed all the City forecasters, but it left the Bank of England just as puzzled. The most reasonable explanation appears to be that it represents an erratic correction to erratically high figures the previous month. Mr Peter Fellner, economist at stockbrokers James Capel, points out that averaging January with the three previous months gives a bank lending figures of £1.5bn a month, much closer in line with earlier assessments of the underlying trend.

February's money supply figures are unlikely to have as much significance attached to them. Last week the market feared that bad figures might trigger a severe overshoot in sterling's decline. Next month, even if the pound still looks vulnerable, bad money supply figures will be averaged with January's very low outturn. By then, anyway, analysts will have their eyes firmly fixed on the Budget, which is already beginning to take over the foreground.

The market appears to be much calmer now about the prospects for interest rates — not least because sterling, for the present, has ceased to react so slavishly to movements in the oil price.

The authorities have not yet conclusively seen off pressure for higher base rates, however. The low money supply figures for January suggest that much of the private sector's tax bill remains to be paid, while greater shortages in the money markets could make it more difficult for the Bank to resist a rise this month than last, according to Dr Gregory Bufton of stockbrokers Grieveson Grant.

"We are certainly not out of the woods yet as far as short-term interest rates go," Dr Bufton says.

A further doubt is raised by the Government's political standing. "There is now a very strong political dimension to the longer term in the gilts market," says James Capel's Mr Fellner. "Once yields fall considerably you can think of very good reasons for not chasing the market."

The doubt is not diminished by uncertainty over whether the Government now has an economic policy at all. Stockbrokers Phillips & Drew write in their monthly gilts report: "This is the section in which we usually seek to provide an in-depth analysis of Government policy. At the moment we cannot do that because there is no such policy."

Friday's announcement of a new tap stock could temper the gilts market's enthusiasm. The 10 per cent Treasury 1993 is somewhat shorter dated than the bulk of recent funding, and its tax-free status for overseas residents and bearer bond option should help it to cash in on the strong foreign buying that has begun to show itself in the past week. Only £20 per cent is payable at the tender, so immediate funding is clearly not a priority. The yield of 11.26 per cent was very close on Friday to the similar Treasury 10½ per cent convertible 1992.

The new stock, which is offered on tender at a minimum of £94 up to February 12, caused less panic in stockbrokers' offices over the weekend than the computer realignments necessary to cope with the extension from today of clean prices to medium and long-dated gilts. The move anticipates the introduction on February 28 of the accrued income scheme of taxation for preventing bond washing. Little last minute activity has yet been seen as a result of the accrued income scheme but movement into clean stocks is expected to pick up in the coming weeks.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
ANFC O/S Fin 11⅞ 94	[illegible]	[illegible]	[illegible]	10.24
AIDC 11 89	[illegible]	[illegible]	[illegible]	8.82
AIDC 11⅞ 90	[illegible]	[illegible]	[illegible]	
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	10.22
Amer Savings 12⅛ 89	[illegible]	[illegible]	[illegible]	10.30
Asian Dev Bk 11⅛ 93	[illegible]	[illegible]	[illegible]	9.82
Australia 11⅜ 90	[illegible]	[illegible]	[illegible]	8.70
Australia 11⅞ 95	[illegible]	[illegible]	[illegible]	9.54
Australia 11⅝ 88	[illegible]	[illegible]	[illegible]	9.51
Australia 11⅝ 89	[illegible]	[illegible]	[illegible]	8.85
Austria 15⅛ 89	[illegible]	[illegible]	[illegible]	10.37
Avon Fin 10⅛ 92	[illegible]	[illegible]	[illegible]	10.32
Bk Nova Scotia 13⅝ 87	[illegible]	[illegible]	[illegible]	9.90
Bank of Tokyo 12⅞ 92	[illegible]	[illegible]	[illegible]	9.42
Bank of Tokyo 13⅝ 91	[illegible]	[illegible]	[illegible]	9.12
Bank of Tokyo 13⅝ 93	[illegible]	[illegible]	[illegible]	9.17
BMW O/S Fin 10⅞ 91	[illegible]	[illegible]	[illegible]	9.68
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	9.42
Br Col Hydro 11⅞ 93	[illegible]	[illegible]	[illegible]	10.62
Br Col Hydro 12⅞ 14	[illegible]	[illegible]	[illegible]	10.60
Br Col Hydro 12⅞ 93	[illegible]	[illegible]	[illegible]	10.31
Britoil Fin 11⅞ 93	[illegible]	[illegible]	[illegible]	9.68
Caisse Nat En 11⅝ 95	[illegible]	[illegible]	[illegible]	8.47
Canada 10⅛ 93	[illegible]	[illegible]	[illegible]	10.45
CBS Inc 11⅞ 92	[illegible]	[illegible]	[illegible]	10.76
Centrust S & L 0 10	[illegible]	[illegible]	[illegible]	10.89
Chesebrough 12 93	[illegible]	[illegible]	[illegible]	10.05
Chubu Elec Pwr 13⅞ 91	[illegible]	[illegible]	[illegible]	9.90
Citicorp O/S 10⅛ 90	[illegible]	[illegible]	[illegible]	10.63
Citicorp O/S 11⅛ 90	[illegible]	[illegible]	[illegible]	10.39
Citicorp O/S 11⅞ 92	[illegible]	[illegible]	[illegible]	10.85
Citicorp 11⅝ 97	[illegible]	[illegible]	[illegible]	13.54
Citicorp O/S 14 94	[illegible]	[illegible]	[illegible]	9.80
CNCA 11⅛ 92	[illegible]	[illegible]	[illegible]	9.61
CNCA 13⅛ 91	[illegible]	[illegible]	[illegible]	9.78
Coastal Int 12⅞ 89	[illegible]	[illegible]	[illegible]	8.74
Coca-Cola 11⅛ 88	[illegible]	[illegible]	[illegible]	10.84
Co Fr de Petrole 13⅝ 89	[illegible]	[illegible]	[illegible]	11.43
Continental Grp 11⅝ 93	[illegible]	[illegible]	[illegible]	9.50
Creditanstalt 13⅛ 91	[illegible]	[illegible]	[illegible]	9.21
Dai-Ichi Kangyo 12⅞ 90	[illegible]	[illegible]	[illegible]	10.44
Denmark 10⅛ 90	[illegible]	[illegible]	[illegible]	9.60
Denmark 11	[illegible]	[illegible]	[illegible]	12.34
Denmark 12⅝ 92	[illegible]	[illegible]	[illegible]	9.51
Denmark 13 91	[illegible]	[illegible]	[illegible]	12.52
Denmark 13 92	[illegible]	[illegible]	[illegible]	9.71
Denmark 13⅛ 91	[illegible]	[illegible]	[illegible]	9.11
Denmark 14 91	[illegible]	[illegible]	[illegible]	11.33
Digital Equip 11⅞ 89	[illegible]	[illegible]	[illegible]	9.19
Dutch St Mines 11⅝ 91	[illegible]	[illegible]	[illegible]	10.25
Eksportfinans 11⅝ 90	[illegible]	[illegible]	[illegible]	9.38
Eksportfinans 13⅞ 89	[illegible]	[illegible]	[illegible]	9.78
Elec de France 11⅛ 93	[illegible]	[illegible]	[illegible]	9.28
Elec de France 12⅞ 87	[illegible]	[illegible]	[illegible]	8.48
EEC 11 91	[illegible]	[illegible]	[illegible]	8.68
EEC 11⅝ 90	[illegible]	[illegible]	[illegible]	9.01
EEC 12 93	[illegible]	[illegible]	[illegible]	9.61
Elf-Aquitaine 10⅜ 89	[illegible]	[illegible]	[illegible]	9.21
Ericsson L M 10⅞ 89	[illegible]	[illegible]	[illegible]	9.62
Euro Inv Bk 11⅝ 90	[illegible]	[illegible]	[illegible]	9.08
Euro Inv Bk 11⅞ 93	[illegible]	[illegible]	[illegible]	9.53
Euro Inv Bk 13⅛ 90	[illegible]	[illegible]	[illegible]	8.94
EDC 9⅞ 88	[illegible]	[illegible]	[illegible]	8.81
EDC 10 88	[illegible]	[illegible]	[illegible]	8.57
EDC 10⅜ 88	[illegible]	[illegible]	[illegible]	8.51
EDC 11⅞ 89	[illegible]	[illegible]	[illegible]	8.78
EDC 12 89	[illegible]	[illegible]	[illegible]	8.92
EDC 13⅞ 87	[illegible]	[illegible]	[illegible]	8.60
Fed Dept Store 11 90	[illegible]	[illegible]	[illegible]	9.27
Finland 11⅝ 88	[illegible]	[illegible]	[illegible]	8.66
Finland 12⅝ 94	75	114	+1½	9.78
Finnish Export 12⅜ 87	75	108½	0	8.51
Firsted Mich 1 13⅝ 89	125	108⅛	+0⅛	10.21
Florida Fed 12⅝ 89	100	105	+0½	10.45
FNMA 11½ 91	300	108⅝	0	9.55
Gen Elec Cred 0 96	600	39½	+0½	9.33
Gen Elec Cred 9⅝ 91	100	102⅛	+0⅛	9.10
Gen Elec Cred 10⅜ 90	200	103⅝	-0⅛	9.92
Gen Elec Cred 11 91	200	105⅝	+0⅛	9.64
Gen Elec Cred 11½ 87	200	104⅝	0	10.89
Gen Elec Cred 12 94	200	109⅝	+1⅛	10.24
Gen Foods Cap 11⅝ 90	75	104⅞	-0⅝	10.01
General Mills 12 91	100	107⅞	-0⅞	10.14
GMAC 10 88	200	102⅛	-0⅛	8.66
Gen Motors Acc 10⅜ 90	200	103⅝	+0⅛	9.50
Gen Motors Acc 11⅜ 90	100	105⅝	-0⅛	9.79
GMAC O/S Fin 15⅜ 87	100	99⅝	-0⅛	11.71
GTE Finance 12 96	75	102⅛	-0⅛	11.61
Gulf Oil 10⅜ 94	100	100	+0½	10.24
GZB 14 91	100	115⅝	-0⅛	10.06
Hall Air Fin 12⅝ 91	100	105⅞	0	10.81
Household Fin 11⅝ 92	100	106	+0⅛	10.23
IBM 9⅝ 88	200	101⅞	-0⅛	9.38
IBM (WTC) 10⅜ 89	300	103⅝	-0⅛	9.86
IBM Credit 11 89	100	104⅝	-0⅛	9.80
IC Industries 8⅝ 87	35	98⅝	0	9.74
IC Industries 12 90	75	104½	-0⅛	10.59
Inco 9 92	100	94⅝	+0⅛	10.21
Ind Bk Japan 10⅜ 92	100	104⅝	-1⅛	9.70
Ind Bk Japan 10⅞ 95	100	105	-0⅞	10.00
Ind Bk Japan 11½ 89	125	106⅝	+0⅛	9.89
Ind Bk Japan 11⅝ 91	100	110⅛	+0⅛	9.43
Int-Amer Dev 12⅝ 91	150	113⅝	+0⅛	9.51
Int-Amer Dev 11⅝ 94	200	111⅞	+1½	9.81
Int Paper 12 91	75	103⅝	-0⅛	11.03
Int Stand Elec 0 97	112	30⅝	0	11.40
Int Stand Elec 12 96	75	104⅝	-0½	11.25
ITT 11½ 89	125	105⅝	+0⅛	9.61
ITT Credit Corp 10½ 90	75	103⅞	-0⅛	9.58
Japan Airlines 12½ 94	70	112½	0	10.18
Japan Dev Bk 10⅝ 92	50	103⅞	-0⅞	9.88
Kellogg Co 10⅞ 90	100	104⅝	-0⅛	9.47
Kellogg Co 11⅝ 92	100	106⅞	-0⅛	9.76
Kimberley-Clark 12 94	100	111⅞	+0⅛	9.91
Kyowa Fin HK 12⅞ 90	100	112⅛	+0⅞	9.29
Long Term Cred 10⅝ 90	100	105⅝	+0⅛	9.24
Long Term Cred 11 90	100	105½	-0⅛	9.30
Long Term Cred 11⅞ 89	100	107½	+0⅛	9.02
Long Term Cred 12 93	100	113⅝	+0½	9.50
Macy R H 11⅝ 91	100	102⅝	+0⅛	11.04
Macy R H 11⅝ 95	100	101⅝	-0½	11.42
Manitoba 14⅝ 91	150	121	0	9.89
Marubeni 11⅝ 91	100	106	+1	9.97
McDonalds Fin 11⅝ 94	75	107⅛	0	10.26
Merrill Lynch 12½ 94	100	0		
Michelin 10 94	125	98⅝	+0½	10.31
Mitsubishi Cp 10⅜ 92	100	102⅝	-1⅛	9.87
Mitsubishi Cp 10⅝ 95	200	103	-0⅛	10.10
Mitsubishi Cp 12½ 91	100	113⅞	+0⅛	9.04
Mitsubishi Est 11⅝ 88	50	105⅛	+0⅛	8.84
Mitsui Eng 7⅝ 86	50	107⅝	+2⅝	4.31
Mitsui Fin 12⅝ 92	100	103⅛	0	11.47
Mitsui Tst Fin 12 91	100	110⅝	0	9.31
Mobil Corp 10⅞ 90	200	102⅞	-0⅛	9.56
Montreal City 12½ 91	70	108⅞	-0⅛	9.82
Mgn Guaranty 12⅝ 89	150	107⅝	-0⅛	9.38
Morgan J P 11⅛ 92	100	106	0	9.90
Mount Isa Fin 13⅝ 87	100	105⅝	0	9.19
Ned Gasunie 11⅝ 90	75	107⅛	+0⅛	9.24
Ned Gasunie 11⅝ 91	75	107	-0⅛	9.45
N Eng Lf Mtg 11⅞ 95	149	108½	-0⅛	10.25
Newfoundland 13 91	75	110½	0	10.27
Nippon Crd Bk 13⅞ 89	100	113	0	9.22
Nippon Tel Tel 11⅞ 90	100	111⅛	-0½	8.04
Nippon Tel Tel 12⅝ 91	100	114⅝	-0⅛	9.21
Nissho-Iwai 5½ 89	70	114⅝	+2⅝	1.45
Nomura 6⅝ 88	100	174⅝	+7⅛	0.00
Nova Scotia 11⅝ 91	100	106	+0⅛	10.14
Nova Scotia 11⅝ 98	100	110	+0⅛	10.27
Oester Post 12⅛ 89	75	108	-0⅛	9.19
Ohbayashi-Gumi 7⅝ 89	50	158⅝	+5⅝	0.00
Ontario Hydro 11⅝ 94	200	112⅛	+0⅛	9.36
Ontario Hydro 11⅝ 90	200	110	+0⅛	8.89
Ontario 12½ 94	250	116⅞	+0½	8.70
Pacific Gas & El 12 00	75	107½	-0⅛	10.92
Penney J C 11⅞ 90	100	105	0	10.46
Penney J C 12⅝ 91	100	109⅝	+0⅛	10.39
Philips Petrol 14 89	200	102⅞	-0½	12.93
Postipankki 11⅝ 90	75	104	-0⅛	9.88
Post-Och Kred 13½ 87	50	106⅝	0	8.75
Privatbanken 12½ 95	100	114	+4	10.08
Prudential Ins 12⅝ 87	150	106⅛	+0⅛	8.66
Pru Rlty Secs 0 99	365	30	+0⅛	9.76
Pru Rlty Secs 11⅝ 92	398	107⅛	-0⅛	10.20
Pru Rlty Secs 12⅛ 95	646	110⅝	+0⅛	10.24
Quebec Prov 12⅝ 94	150	110⅝	+1⅛	10.27
Queensland Gvt 11⅝ 89	100	107⅛	+0⅛	9.03
RBC 11½ 90	100	105⅝	+0⅛	9.47
Rural Bk Aust 12 91	50	107⅛	+0⅛	10.09
Sanwa Bank 11⅞ 92	150	109⅝	+0⅛	9.74
Saskatchewan 10⅜ 92	100	106⅝	+0⅛	9.36
Saskatchewan 10⅜ 90	125	105⅝	0	8.99
Saskatchewan 11⅞ 89	100	108⅝	-0⅛	9.01
Saskatchewan 15 92	150	124⅝	0	9.75
Saskatchewan 16 89	125	117⅝	-0⅛	9.21
Scot Intl Fin 14⅝ 96	80	114½	-0½	11.73
Sears O/S Fin 0 98	500	30	0	10.16
Sears Roebuck 10½ 91	150	104⅝	-0½	9.45
Sears Roebuck 11⅝ 91	150	108⅝	0	9.12
Sec Pacific 12 92	100	110	-0⅛	9.73
Shearson/Amex 12⅝ 94	100	107⅝	0	10.65
Shell (Canada) 14⅝ 92	125	113⅝	-0⅛	11.28
Signal Comps 11⅝ 92	125	106⅞	0	10.16
Standard Oil 10½ 89	150	102⅛	-0⅛	9.53
Statoil 12 88	100	105⅝	0	8.55
Sumitomo Corp 10⅜ 92	100	103⅛	-0⅛	9.91
Sumitomo Fin 11⅝ 92	150	109⅝	-0⅛	9.63
Sumitomo Fin 12⅝ 91	150	112⅞	+0½	9.49
Sumitomo Trust 12½ 92	100	111⅝	+0⅛	9.88
Sweden 11½ 89	200	107⅝	-0⅛	9.02
Sweden 12⅝ 89	200	109	-0⅛	8.99
Swedish Export 10⅝ 88	100	103⅝	-0⅛	10.07
Swedish Export 11½ 89	100	105⅝	-0⅛	8.98
Swedish Export 12⅝ 89	100	108½	+0⅛	9.79
Taiyo Kobe 11⅞ 90	100	108⅞	-0⅛	9.23
Taiyo Kobe 12 90	100	109½	0	9.48
Tenneco Corp 11½ 89	150	104½	-0⅛	9.65
Texaco Capital 10½ 90	200	92⅝	-0⅛	12.61
Texaco Capital 10½ 93	200	98½	0	10.78
Texaco Capital 13½ 89	257	104	-0½	11.96
Texas Instru 11⅞ 91	150	105	-0⅛	10.54
Tokai Asia 12⅝ 91	100	111⅛	+0⅛	9.34
Tokyo Elec Pr 13⅝ 89	100	109⅛	+0½	9.96
Tokyo Metrop 12⅝ 94	50	114⅝	-0½	10.25
Toray Inds 11⅝ 92	50	105	+1⅛	9.97
Toronto-Dom 12⅝ 89	50	107⅞	+0⅛	9.64
UBS 12⅝ 91	100	108⅝	+0⅛	10.13
Utd Tech 11⅝ 92	150	107⅝	+0⅛	9.48
Veba 8 93	70	219	+21½	0.00
West LB 11⅞ 90	100	108½	0	9.59
Westpac 12⅝ 92	100	111⅛	+1⅛	10.02
Weyerhaeuser 11½ 90	60	104	+0⅛	10.37
World Bank 11 92	300	109⅛	+0⅛	9.13
World Bank 11⅝ 90	200	108⅝	-0⅛	9.61
World Bank 11⅝ 89	200	108⅝	-0⅛	8.84
World Bank 12 93	200	113⅛	+0⅛	9.46
World Bank 12⅝ 94	150	115	+0⅛	9.63
World Bank 12⅞ 94	200	118⅝	+0⅛	9.85
Yasuda Trust 12⅝ 89	100	108⅛	+0⅛	9.04

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	0	8⅝
Arab Bank Corp ⅛ 96	100	99⅝	-0⅛	8⅞
Banca Lavoro ⅛ 91	100	100⅛	0	8⅞
Banco di Roma ⅛ 89	150	100	0	8⅝
Bnco di Roma ⅛ 92 CU	75	99⅝	+0⅛	10⅝
Bankers Tr NY ⅛ 94	200	100⅛	0	8⅝
Bank of Greece ⅛ 94	150	98⅛	0	8⅞
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅝
Bqe Nat Paris ⅛ 88	400	101	0	8½
Bqe Nat Paris ⅛ 95	400	101⅛	+0⅛	8⅝
Bqe Nat Paris ⅛ 96	250	100⅛	0	8⅝
Barclays O/S ⅛†	600	100½	+0⅛	8⅝
BBL ⅛ 95	100	100⅛	0	8⅝
BBL ⅛ 99	100	100⅛	0	8⅞
BCI ⅛ 96	300	100⅛	0	8⅞
BFCE ⅛ 97	400	98½	-0⅛	8⅝
BFCE ⅛ 99	600	100⅛	0	8⅝
Belgium ⅛ 04	400	100	0	8⅝
CCCE ⅛ 05	200	100⅛	0	8⅝
CEPME ⅛ 96 £	100	100⅛	0	11⅝
Chase Manhattan ⅛ 09	400	100	0	8⅞
Chemical NY ⅛ 99	300	100⅛	0	8⅞
Citicorp O/S ⅛ 91 £	100	99⅝	0	11⅞
Citicorp O/S ⅛ 96	250	98½	+0⅛	8
Citicorp Pan Pan ⅛ 97	250	100	0	8⅝
Commerzbank ⅛ 89	150	100⅛	0	8⅝
Creditanstalt ⅛ 96	150	100⅛	0	8⅝
Credit Comm ⅛ 95	100	100⅛	-0⅛	8⅝
Credit Foncier ⅛ 00 £	100	100⅛	-0⅛	13⅝
Credit Lyonnais ⅛ 96	300	100⅛	0	8⅝
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅝
Credit National ⅛ 95 £	100	100⅛	0	11⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	+0½	8⅝
Denmark 99	200			8
Denmark ⅛ 90	500	100⅛	-0⅛	8⅝
Denmark ⅛ 95	250	103⅛	+1⅛	10
Eldorado Nuke 88	100	100⅛	0	8⅝
Elec de France ⅛ 99	400	101	0	8⅞
ENEL ⅛ 93 £	100	100⅛	0	12⅝
Exterior Int ⅛ 96	125	100⅛	0	8⅝
Ferro del Stat ⅛ 88	100	100⅛	-0⅛	8⅝
Ferro del Stat 97	420	99⅝	-0⅛	8⅝
Fiat Finance ⅛ 94	100	100⅛	-0½	8⅝
First Chicago ⅛ 94	100	98	-0½	8⅝
First Chicago ⅛ 97	200	99⅛	-0⅛	8⅝
Ford Motor Cr ⅛ 91	200	99⅝	-0⅛	8⅝
GW O/S Fin ⅛ 94	100	99⅝	-0⅛	8⅝
Grindlays ⅛ 94	100	100⅛	0	9⅛
Interfirst Tex ⅛ 89	100	95	-1⅛	8⅝
Ireland ⅛ 88	50	100	0	8⅝
Ireland ⅛ 93 £	50	100½	0	11⅝
Ireland ⅛ 94	300	100⅛	0	8⅝
Ireland ⅛ 96 £	100	99⅝	-0⅛	11⅝
Ireland ⅛ 97	300	100	-0⅛	8⅞
Ireland ⅛ 99	300	100⅛	0	8⅝
Italy ⅛ 94	1bn	100	0	8⅝
Italy ⅛ 99	500	100⅛	+0⅛	8⅝
Kleinwort Benson ⅛ 96	100	100⅛	+0⅛	8½
Korea Exch Bk ⅛ 94 £	100			12
Lincoln S & L ⅛ 99	100	99½	-0⅛	8⅝
Malaysia ⅛ 93	500	100	0	8⅝
Malaysia ⅛ 94	600	99½	-0⅛	8⅝
Man Hanover ⅛ 94 £	75	99⅝	+0⅛	11⅝
Marine Midland ⅛ 94	125	100	0	8⅝
Marine Midland ⅛ 96	125	99⅞	-0⅛	8⅝
Marine Midland ⅛ 09	150	100	0	8⅝
Mellon Ban ⅛ 96	250	100	-0⅛	8⅝
Midland Intl ⅛ 99	200	100⅛	0	8⅞
Mitsui Fin ⅛ 96	100	100⅛	0	8⅝
Morgan Grenfell ⅛ 94	50	99⅝	0	8⅝
Mtg Intermed ⅛ 10 £	50	100	0	12
Nat Bank Canada ⅛ 91	50	100⅛	0	8⅝
Nat Bank Detro ⅛ 96	100			8⅝
Nat West Fin ⅛†	300	100⅞	+0⅛	8⅝
Neste Oy ⅛ 94	100	100⅛	0	8⅝
New Zealand ⅛ 87	360	100⅛	-0⅛	8½
NZ Steel Corp ⅛ 92	225	100⅛	0	8⅝
Oster Land Bank ⅛ 99	100	100⅛	+0⅛	8⅞
Oko Bank ⅛ 92	50	99½	0	8⅝
Portugal ⅛ 92	100	100	0	8⅝
Queensland Coal ⅛ 96	365	100⅛	0	8⅝
Rente ⅛ 91	100	100	0	8⅝
Sanwa Intl Fin ⅛ 92	150	98⅞	-0⅛	8⅝
SEAT ⅛ 93	100	100	0	8⅝
Security Pac ⅛ 97	250	99⅝	0	8⅝
Skopbank ⅛ 94	75	99⅝	0	8⅝
SNCF ⅛ 93 £	75	101	0	13⅝
Soc Generale ⅛ 90	250			10⅝
Soc Generale ⅛ 94	250	100⅛	0	8⅝
Spain ⅛ 88	200			8⅝
Spain ⅛ 97	250	100⅛	0	8⅝
Standard Chart ⅛ 94	200	100⅛	-0⅛	8⅞
Sumitomo Trust ⅛ 94	100	100⅛	0	8⅞
Sweden ⅛ 99	500	99⅝	0	8⅝
Sweden 90	700	99⅝	0	7⅞
Sweden ⅛ 24	500	100	-1	8⅞
Swedish Ex Cred ⅛ 92	125	103⅛	+0⅛	10
Thailand ⅛ 05	60	98⅝	0	8⅝
Tokai Asia ⅛ 99	150	100⅛	0	8⅝
Toyo Trust Asia ⅛ 99	100	100⅛	-0⅛	8⅝
TVO Power ⅛ 04	100	98⅝	0	8⅝
Union Bank-Norw ⅛ 98	50	98⅞	0	8⅞
United Kingdom 92	2.5bn	100	0	7⅝
Wells Fargo ⅛ 94	150	99	0	8⅝
Wells Fargo ⅛ 98	50	99	-0⅛	8⅝
Yorkshire Int ⅛ 94 £	75	99⅞	0	12⅝

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	142⅝	+4⅛	-0.75
Best Denki 5⅞ 97	15	218⅝	+13⅛	7.05
Canon 7 97	60	230	-5	-2.88
Daiwa Secs 5½ 98	60	225⅞	+12⅝	0.40
Dev Bank Sing 5½ 98	70	72	0	35.72
Elders 11⅛ 94	160	115⅝	+4	33.68
Elektrowatt 5 98	81	126	-0½	-6.16
Fujitsu 3 39	150	107⅛	+0⅛	1.38
Intec Inc 3 98	50	117⅝	-3⅝	-8.84
Kumagi Gumi 3½ 00	80	192	+1	-100.00
LASMO 9⅝ 99	46	87½	-3½	65.30
Moet-Hennessy 7 99	60	148⅝	-2⅝	-88.16
Murata Mfg 3½ 00	100	135⅝	-9⅝	14.78
Nippon Oil 3⅝ 98	50	101⅛	+9⅝	6.23
Ono Pharm 3⅝ 98	80	142⅝	+17⅝	-3.08
Soc Gen Surv 4⅝ 94	60	168½	+2⅝	-2.37
Sumitomo Corp 2⅝ 99	70	148⅝	+1⅛	0.78
Texaco Capital 11⅞ 94	1bn	93⅛	-2⅛	77.88
Texaco Capital 11⅝ 94	500	91⅝	-3	74.00
Tsumura Jntendo 5⅝ 96	30	142⅝	-3⅛	-1.53
Yamaichi Sec 3⅝ 95	20	159½	+4⅝	-3.19

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅝ 94	15	105	+0⅛	6.56
Avon Products 6⅝ 91	25	98	-0⅛	7.17
Denmark 6⅝ 92	20	101⅛	+0⅛	6.48
Dow Chemical 7 94	20	101⅛	0	6.73
EDF 6⅞ 95	20	102⅞	+0⅛	6.43
Eurofina 7⅝ 94	10	103⅛	+0⅛	6.78
Eurofina 6⅝ 92	10	100⅛	+0⅛	6.48
FNMA 6⅞ oc 92	50	101½	+0⅛	6.56
GMAC 6½ 90	25	101⅛	+0⅛	6.18
Intel 6⅝ 92	12.5	97⅝	+0⅛	7.10
Int-Amer Dev 7⅞ 93	15	102⅞	-0⅛	7.37
ITT 6⅝ 92	20	101	-0⅛	6.65
McDonald Corp 6½ 92	25	101⅛	-0⅛	6.23
New Zealand 7⅛ 90	15	102⅛	0	6.42
New Zealand 7⅝ 89	15	103⅝	0	6.40
Pacific Gas & El 7 94	20	102⅛	-0⅛	6.63
Penney J C 6⅝ 92	25	98⅝	0	6.92
Procter 6⅝ 92	25	101⅛	0	6.27
Sallie Mae 6⅝ 92	25	100⅝	0	6.56
TRW 7 94	15	101⅝	+0⅛	6.78
Utd Technology 6⅝ 92	25	100⅝	0	6.49
World Bank 7 94	20	103⅛	+0⅛	6.48
World Bank 7⅝ 93	20	105⅝	0	6.68
World Bank 8 93	20	107	0	6.71

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅝ 88	600	101½	0	9.28
Eurofima 10 94	600	104⅛	0	9.18
E Coal & Steel 10½ 94	1bn	105⅝	0	9.57
Euro Invest Bk 10½ 94	1bn	105⅞	0	9.42
World Bank 10⅝ 89	1bn	102⅝	0	9.25

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	108	-0⅛	5.72
ABN 7⅝ 89	150	105⅛	-1	6.09
Amro Bk 7⅝ 89	150	103⅝	0	6.23
Amro Bk 8 89	200	104⅞	+0⅛	6.23
Bk Mees & Hope 8⅝ 89	100	105⅝	-0⅛	6.14
Beatrice Foods 8⅝ 89	100	103⅞	-0⅛	7.12
C C Rabo 8 89	150	105⅝	-0⅛	6.15
Denmark 8½ 91	100	108⅛	-0⅛	6.61
Int Stand Elec 8½ 89	100	105⅛	-0⅛	6.50
New Zealand 8⅝ 89	100	106⅞	0	6.29

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅝ 91	50	103⅝	0	11.33
Aust Resources 11⅝ 92	50	102½	-0⅛	11.04
Bank of Tokyo 10⅝ 92	75	100⅝	+0⅛	10.71
Bqe l'Indosuez 14 91	75	111	-0⅛	11.18
Br Col Munic 12⅝ 91	100	105⅞	-0⅞	10.81
Br Col Munic 13⅝ 91	100	108⅝	+2⅝	10.96
Br Col Tele 12⅝ 89	70	102⅞	-0½	11.50
Farm Cred Corp 12⅝ 90	75	105½	-0⅛	10.65
Kredietbank 12 92	75	102⅝	-0⅛	11.33
Long Term Cred 11⅝ 90	75	102⅝	-0⅛	11.03
Montreal City 12⅝ 91	50	104⅛	-0½	10.98
New Brunswick 12 96	75	105⅝	-0½	10.98
Nova Scotia 11⅝ 95	100	103⅝	-0⅛	11.00
Quebec Hydro 14 91	75	105⅝	-0⅛	12.46

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102	-0⅛	9.06
Australia & NZ 10⅝ 91	50	104⅛	0	9.88
Austria 10⅝ 93	100	107⅛	0	9.15
BFCE 9⅝ 92	100	104⅝	+0⅛	8.71
Cred National 10⅝ 94	50	105½	-0⅛	9.26
Cred National 11⅛ 91	50	106⅝	-1	9.63
Denmark 10⅝ 91	75	105⅛	-0⅛	9.36
Ebco Intnl 10⅞ 89	55	103⅞	0	9.61
EEC 11 93	50	104⅞	+0⅛	10.06
EEC 11⅛ 91	50	105⅞	0	9.75
EEC 11⅛ 93	70	105⅝	+0⅛	10.13
Euro Coal & Steel 6 94	60	117⅝	+0⅛	9.31
Euro Invest Bk 9⅝ 95	200	100⅛	0	9.23
Euro Invest Bk 10⅝ 94	130	106½	-0⅛	9.01
Euro Invest Bk 10⅝ 89	50	105⅝	-0½	8.38
Euro Invest Bk 10⅝ 94	100	106⅝	0	9.50
Euro Invest Bk 11½ 92	75	107½	-0⅛	9.49
Euro Invest Bk 11⅛ 93	50	106⅝	-0⅞	9.84
Euro Invest Bk 11⅛ 96	50	111⅞	+0⅛	9.37
Gen Finance 11 90	70	108⅛	-0⅛	9.22
Giro Vienne 10½ 93	60	106⅝	0	9.23
GTE Finance 10⅝ 92	50	107⅝	-0⅛	9.17
Ireland 10⅝ 95	50	103⅞	-0⅛	9.71
Italian Govt 10½ 92	600	105½	-0⅛	9.36
Italian Tresa 11½ 90	60	107⅞	+1⅛	9.33
Kredietbank L 9⅝ 92	75	100½	0	9.26
Megal Finance 11⅝ 94	100	108½	-0⅛	9.76
Nippon Cred Bk 11 91	50	106⅝	-0⅛	9.33
Nordic Inv 6 94	50	115⅝	-0⅛	9.44
Post Och Kred 10⅞ 92	50	104⅛	-0⅛	9.89
Royal Bk Can 10⅝ 89	85	104⅝	-0⅛	8.92
SNCI 10⅞ 94	60	106⅞	0	9.62
Swedish Export 11 89	57	103⅛	+0⅛	9.72
West LB 10⅞ 91	50	103⅛	0	9.89
World Bank 10⅝ 88	100	105⅛	-0½	8.45

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	92⅝	+0⅛	15.55
PIBA 12⅝ 89	50	92½	0	15.54
State Bk NSW 12⅝ 88	40	93⅝	0	15.00
Woolworths 14⅝ 88	25	98½	+0⅛	14.40

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
RAT Intnl 10⅝ 91	100	98⅝	+0⅛	11.13
Denmark 10⅝ 89	75	99⅝	+0⅛	11.09
EEC 11⅛ 94	50	101½	+0⅛	11.16
Europarat 11⅛ 9 2	50	99⅝	+0½	11.57
Euro Invest Bk 10⅝ 92	50	96	+0⅛	11.34
Finland 11⅞ 88	50	100⅝	+0⅛	11.89
Grand Met Fin 10⅞ 90	50	98⅝	+0⅛	11.80
Int-Amer Dev 11⅛ 91	60	99½	+0⅛	11.49
Int Stand Elec 11⅝ 89	50	99⅝	+0⅛	11.86
Inv In Indust 11½ 91	50	100⅝	+0½	11.38
Ireland 11⅝ 94	60	97⅝	0	11.92
New Zealand 10⅝ 89	100	98⅝	+0⅛	11.24
SNCF 11⅛ 94	60	99⅝	+1	11.41
World Bank 10⅞ 89	100	99⅝	+0⅛	11.22
World Bank 10⅝ 89	50	98⅝	+0⅛	11.15
World Bank 11 94	50	98⅝	+0½	11.14

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Intl	30/8/88	135	+2	10.86
Ciba-Geigy Int £	1/11/93	540	+32	6.52
Credit Suisse	31/5/88	80½	+4	-34.88
Casio Computer	6/3/89	86		-22.45
ICI Finance	1/5/90	0		
IC Inds.	15/6/88	0		
Jusco	22/12/88	0		
Minebea Co	20/2/88	0		
Mitsubishi Cp	7/11/88	38	0	-16.01
Mitsui	10/12/87	0		
Nissho Iwai	1/2/89	24	0	1.86
Nomura	31/10/88	0		
Swiss Bank Cpn	20/12/88	125½	-1⅛	7.61
Toray Ind	6/3/87	0		
Tyo Engineering	28/2/89	0		

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Oegon Ins 11⅛ 91	14/2/88	50	-0½	10.54
Coca-Cola 11⅛ 91	28/11/88	64	+1½	8.88
Commerzbk 12⅛ 91	21/11/88	85	+2	5.82
Du Pont 13⅝ 89	25/9/86	39	+1	10.57
Eksportfins 13⅝ 89	15/9/87	98	0	8.55
Gen Elec 12⅝ 91	7/8/87	80	+4½	6.65
Ind Bk Jpn 12⅞ 91	5/10/89	107	-1½	9.25
Inv In Inds 10⅝ 91	1/12/88	0		
McDnlds F 11⅛ 94	5/1/89	86	+3	10.35
Oester Lnbk 13⅝ 89	9/8/87	98	+0⅛	6.39
Texaco Cap 12⅞ 92	1/9/87	65	0	8.20
Trnto Dom 12⅝ 91	5/4/88	104	+2½	7.11

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

† Perpetual.

 Data supplied by Association of International Bond Dealers. Closing prices on February 7.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

David Dodwell talks to Jardine chairman Simon Keswick

Princely Hong is back on course

"I DON'T think anyone outside Jardine had any idea of the problems we were in," said Mr Simon Keswick, chairman of the oldest and most famous of the British trading companies based in Hong Kong. "If people had been aware of the stark reality, then they and our bankers would have lost confidence in the company."

Mr Keswick, the fifth in a line of Keswicks to be "Taipan" of the company that is still known as the "Princely Hong," was speaking in the first interview he has agreed to give since becoming chairman of Jardine late in 1983: "You won't see me being evasive now, because we see Jardine in a reasonable state of health."

He was relaxed and affable in a way that contrasted sharply with the clipped comments that have characterised his previous contacts with the press. The mood is in clear contrast with that two years ago, when the group seemed to step on a banana skin whenever it moved. The nadir was in spring 1983, when its decision to move its corporate domicile to Bermuda prompted accusations that it was deserting Hong Kong at a politically sensitive time, and punctured local corporate confidence.

The purchase two weeks ago of Emett and Chandler for US$81.9m was the first clear sign in two years that the company is recovering to normal health. The completion of Jardine's withdrawal from shipowning confirms that the group is at a watershed.

Withdrawal from shipping is just one of a series of retrenchments made to unravel disastrous new ventures launched in 1980, during the giddy days of Hong Kong's stock market boom. Jardine is disposing of properties in the UK, the USA and Hawaii, and is committed to pulling out of oil exploration in the US after making provisions of HK$130m (US$ 16.7m) in 1985.

"We got into three twilight industries in a big way all at the same time," Mr Keswick admits. While he has already said there is no point in witch-hunts over these strategic mistakes, he admits that even then, it was clear that the group "had its balance wrong."

"The Jardine team must be sager now than it was in 1980," Mr Keswick said last week: "There are a lot of new people, and the people that are left are older, wiser, and a great deal greyer."

After the acquisition of Emett and Chandler, which puts Jardine among the world's 10 leading insurance brokers, Mr Keswick says the group will continue to concentrate on several "core functional and geographical businesses." These range from transport, engineering and property to marketing and distribution and financial services, and hotels and supermarket operations.

"The Harvard business school would like us to be a tidier group, but it is easy to criticise a company that has been in retreat," Mr Keswick argues: "No-one criticises Hanson Trust, though it is no more tidy than Jardine."

Debt levels are such that funds are not available for any more major acquisitions at present. The resources for further purchases must be generated by disposing of existing non-core assets, Mr Keswick said.

However, the aim is to reduce Hong Kong's share of group business to around 50 per cent. With 75 per cent of Jardine's assets currently tied up in Hong Kong — a large proportion of them in the group's 35 per cent holding in Hongkong Land — Mr Keswick admits the "balance" is not right. He says that diversification into Japan, the US and Britain can be expected.

There are signals that the group is poised to dispose of a proportion of its stake in Hongkong Land. This HK$6bn investment has proved to be the most serious corporate blunder ever made by Jardine.

Mr Keswick recalls: "When Hong Kong's stock and property markets collapsed in 1982, we had more than 100 per cent of our net worth tied up in a company that was on its back, and heading for debts of around HK$22bn."

Hongkong Land is now recuperating as property prices improve and local interest rates fall. But it will be some years before the drain on Jardine — a combination of foregone dividends and a 35 per cent share of Land's debt servicing burden — is reversed.

Disposal of the entire 35 per cent stake is unlikely. Mr Keswick noted last week: "We have ridden out the Land company's bad times, and we want to be with it through some of the good times. People should not underestimate the recovery potential of Hongkong Land."


Mr Simon Keswick: "You won't see me being evasive now."

However, the sale of part of the stake in Hongkong Land is the only means Jardine has of releasing significant funds for fresh investment. By selling a 5 per cent stake, it could raise about HK$700m at present stock market prices.

Mr Keswick continues to rebut suggestions that the stake is up for sale. But his commitment to achieving a better corporate balance, and the recognition that too large a share of the group's resources is concentrated in Hong Kong, make the sale of a part of its stake likely in the near future: "I admit, Jardine is a lop-sided ship at the moment," he says. "But you can't level it up in one go."

PLM to raise dividend as earnings fall

By David Brown in Stockholm

PLM, THE Swedish packaging group, has announced a 24 per cent drop in earnings after extraordinary items but before allocations and taxes. It plans to raise its dividend.

In a preliminary report on 1985, PLM announced that turnover grew 7 per cent to SKr 3.6bn ($480m), of which almost 60 per cent was generated outside Sweden. Operating expenses grew at the higher rate of 9 per cent, however, while earnings after depreciation fell SKr 61.5m to SKr 193.7m.

The board has recommended a dividend of SKr 5.80 per share, up from SKr 5.60 in 1984.

PLM attributes its poor results to a combination of industrial disputes in Denmark and Sweden, and poor weather conditions affecting crops and demand for packaging.

Icahn blames TWA loss on fare discounts

BY WILLIAM HALL IN NEW YORK

TRANS WORLD Airlines (TWA), the leading US transatlantic carrier which was taken over last year by Mr Carl Icahn, the Wall Street corporate raider, has reported a greater than expected loss of $193.1m for 1985.

The loss, which compares with a 1984 profit of $29.9m, was higher than the $150m loss Mr Icahn had been expecting when he acquired the company last year. The losses pose a serious problem for Mr Icahn, who is now showing a considerable paper loss on his investment in TWA.

Mr Icahn says that the airline's losses resulted from heavy fare discounts, high labour costs and a weaker dollar, which discouraged Americans from travelling abroad on holiday.

The losses, which were inflated by $60.5m of major non-recurring expenses related to the takeover and workforce reductions, have undermined Mr Icahn's plans to finance the takeover.

TWA shares, which had traded as high as $23 at the height of the takeover battle late last year, fell by $⅞ to $13⅞ last Friday.

While TWA's losses are inflated by special factors, analysts noted with concern that the airline's normally lucrative international operations reported a $38.4m operating loss in the final quarter of 1985 compared with a $21m profit in the comparable quarter of 1984.

Danish travel group looks for a buyer

BY HILARY BARNES IN COPENHAGEN

TJAEREBORG, the Danish travel group whose interests include Sterling Airways, one of Europe's biggest independent airlines, is up for sale according to Pastor Eilif Krogager, its founder.

The 76-year-old clergyman, who started the business in 1950 when he was a parish priest in Jutland, spent Thursday negotiating with Mr Helge Naarstad, a Norwegian shipowner, on what was described as a "co-operation agreement." Mr Naarstad was negotiating on behalf of himself and an unnamed American group.

Tjaereborg's group turnover is about DKr 3bn ($338m) and it has a staff of about 3,200. Sterling has a fleet of 14 aircraft which carried 1.3m passengers last year.

Pastor Krogager said that if he had to put a price on the business, a good guess would be about DKr 500m.

Tjaereborg has gone through a difficult financial period over the past couple of years, when there have been frequent management changes, but it is said now to be on the mend.

Tjaereborg is one of two big Danish charter holiday travel businesses which, between them, dominate the Scandinavian market. The other is the Spies group.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Fujitsu Ltd. ¶‡	200	1991	5	4⅜	100	Nikko Secs. (Europe)	4.375
Calfed Inc. §‡	125	2001	15	6½	100	CSFB	6.500
Fujikura Cable ¶‡	30	1991	5	4¾	100¼	Nomura Int.	4.693
American Medical ‡	75	1993	7	9⅜	101	LTCB Int.	9.175
Mitsui Bank §	100	2001	15	(2¾)	100	Mitsui Fin. Int.	*
Burton Capital (e) ¶‡	80	1991	5	9¾	125	S. G. Warburg	–
Thomson-Brandt (g)‡	50	1996	10	8	100	Banque Paribas	8.000
Prov. Saskatchewan ‡	150	1991	5	8½	99¾	CSFB	8.564
GECC (b)‡	300	1993	7	8¾	100⅛	Merrill Lynch	8.725
Mortgage Bk Denmark ‡	100	1991	5	8¾	101¼	Daiwa Europe	8.433
Société Générale (c) Φ‡	270	1993	7	¼	100	Société Générale	–
Citizens Fed S&L (d) †‡	100	1996	10	15bp	100	Shearson Lehman Bros.	–
Canada ‡	1bn	1996	10	9	100¼	Deutsche Bk Cap. Mkts	8.961
Associates Corp. Φ‡	100	1996	10	9½	101	UBS (Secs)	9.342
US Treasury ‡	1bn	1996	10	9⅞	98.434	Auction	10.131
EEC ‡	100	1996	10	9⅛	99⅞	Salomon Bros.	9.145
IBM (h)‡	300	1996	10	6⅜	100	Morgan Stanley	6.375
CANADIAN DOLLARS							
GZB ‡	60	1991	5	10⅛	100⅜	Orion Royal Bank	10.026
Bank of Tokyo ‡	70	1996	10	10½	101½	Bank of Tokyo Int.	10.253
Ville de Laval ‡	40	1996	10	10¾	99¾	Orion Royal Bank	10.792
AUSTRALIAN DOLLARS							
State Bk New Sth Wales Φ‡	50	1993	7	14½	100½	Morgan Stanley	14.382
NatWest ‡	75	1993	7	14½	100¼	County Bank	14.441
Philips Ind. Australia ‡	40	1991	5	13¾	100	Amro (Fin. & Secs) HK	13.750
Toronto-Dominion Bk ‡	50	1989	3	14⅜	100⅜	Salomon Bros.	14.213
Denmark ‡	50	1989	3	14¼	100⅝	Bk America Cap. Mkts	13.981
NEW ZEALAND DOLLARS							
Sallie Mae (f) †‡	100	1991	5	175bp	100	Bear Stearns	–
BIL ‡	50	1989	3	18	100½	Banque Paribas	17.771
D-MARKS							
OKB **‡	150	1991	5	6⅛	100½	WestLB	6.006
Nat.Bk Hungary ‡	150	1996	10	7¼	100	Dresdner Bank	7.250
World Bank ‡	1bn	2015	30	0	16.60	Deutsche Bank	6.169
Japan Elec. Computer **‡	50	1992	6	6⅜	101¾	WestLB	6.019
Optec Dai-Ichi Denko ¶	70	1991	5	(2½)	100	Deutsche Bank	*
Prov. of Quebec ‡	300	1998	12	6½	100	Commerzbank	6.500
SWISS FRANCS							
Brierley Inv. §	100	1994	–	(5)	100	Lloyds Bank Int.	*
Tohoku Elec. Power ‡	150	1996	–	5⅛	99½	UBS	5.198
Marquest Medical ‡	25	1994	–	6	100	Bqe Gutzwiller, K. B.	6.000
Hohnen Oil ¶‡	30	1991	–	2⅝	100	SBC	2.625
Firestone Tire & R. ‡	210	1996	–	5⅜	100	Chase Man.Bk (Suisse)	5.375
Mitsui Bank §	100	1991	–	(2)	100	SBC	*
Société Cofiroute	125	1996	–	(5⅝)	(99½)	Bqe Paribas (Suisse)	*
Toko Inc. ¶	70	1991	–	(2⅞)	100	Credit Suisse	*
K Line **	100	1993	–	(5½)	100	Credit Suisse	*
Transcanada Pipe **‡	104	1993	–	5	100	UBS	5.000
Korea Exchange Bk	75	1994	–	(6)	*	SBC	*
EEC **‡	227	1992	–	4⅞	100	UBS	4.875
Nova Scotia Power **‡	80	1991	–	4⅞	100	UBS	4.875
Inco Ltd. ‡	100	1996	–	5¾	100½	Soditic	5.683
FRENCH FRANCS							
Credit Foncier (a) Φ‡	500	1993	7	10⅛	99¾	BNP	10.177
LUXEMBOURG FRANCS							
GMAC **‡	300	1991	5	9	101	BGL	8.745
DANISH KRONER							
BFCE ‡	400	1996	10	9⅝	100	Enskilda Secs.	9.625
YEN							
Canadian Nat. Railway ‡	10bn	1996	10	6½	101⅛	Bank of Tokyo Int.	6.345
Sweden ‡	50bn	1996	10	6.4	99.90	Nomura Secs.	6.517

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. Φ With bond warrants. ‖ Dual currency. (a) Extensible to 1998, coupon refix after 7 yrs. (b) Extensible to 2011, on new terms. (c) ¼ over 6m Libor, minimum 5%, maximum 12%. (d) 15bp over 6 m Libor. (e) Price includes warrants. (f) 175bp under 3m NZ bank bill note rate, launched on US domestic market. (g) Redemption in Thomson-CSF shares. (h) Exchangeable for Intel shares. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Wellcome issue draws £4.5bn at final count

BY LUCY KELLAWAY

THE £250m offer for sale of shares in Wellcome, the international drug company, has been 17 times oversubscribed. This is considerably more than the market had been expecting, and more than the indications given out on Friday evening.

It took until 4 am on Saturday morning to complete the count of 400,000 applications, worth a total of £4.5bn. This is the second largest amount ever attracted by a private sector issue—Abbey Life brought in £4.6bn when it was floated last year.

Mr Lawrence Banks of Robert Fleming, sponsor to the issue, said at the weekend: "I would have been happier if it had been less oversubscribed—at 18 times subscribed it was clearly underpriced. However, there is always a narrow margin between success and failure of these things, and we were lucky to have the market going our way since we set the price."

The issue was popular with both institutions and private individuals, as well as with the stags—investors out to make a quick profit. The basis of allocation will be announced this morning.

Small investors are being balloted for about 7 per cent of the number of shares applied for. All other applicants except the very biggest will get about 5½ per cent of the number they wanted, with the largest getting just over 1 per cent.

All obvious multiple applications will be discarded, even though such applicants, unlike in the recent privatisation and Laura Ashley issues, had not been warned to stay away.

The shares had been dealt on the "grey market" made by licensed dealers throughout last week at about 140p, a 20p premium to the offer price. Official dealings begin on Friday.

Wellcome is the largest private company ever to join the stock market, and is valued at £1bn. It is owned by the Wellcome Trust, a charity, which is selling 168m shares, reducing its holdings to 75 per cent. The company itself is issuing 42.8m new shares.

HunterPrint makes good start to year

HunterPrint, the commercial colour printer due to transfer from the USM to the main market today, says it has had an encouraging start to the current year with turnover and profits ahead of the previous year's levels.

Its share closed 9p up on Friday night at 196p.

HunterPrint operates web-offset presses at three sites in England producing full-colour brochures, booklets, magazines and advertising material for a range of commercial customers. In May last year it acquired Formdesign, a USM-quoted producer of business stationery.

Pre-tax profits for the year to last September rose from £2m to £2.4m on turnover up from £36m to £47.5m.

Mr Michael Hunter, the chairman, said that last year had seen the completion of a three-year investment programme involving capital spending of more than £14m. New technology had been introduced at all stages of production and had placed the group in a strong position for the future.

The group's product base had been broadened by the purchase of Formdesign and plans were in hand for this company's expansion.

There had also been significant expansion in the commercial products business where a number of new publishing contracts had been secured, the benefits of which would be felt within the current year.

Wolseley-Hughes set to acquire Grovewood Secs.

BY DAVID GOODHART

Wolseley-Hughes, the central heating and plumbing distribution group, has emerged as one of the favourites to acquire the Grovewood Securities division of BAT Industries.

BAT is still talking to a number of companies about Grovewood, but is understood to have got close to a deal with Wolseley.

The central heating company was one of the first to express interest last summer when BAT first announced it was planning to sell Grovewood for about £140m. BAT acquired the fast-growing industrial conglomerate as part of the £970m take-over of Eagle Star insurance group in 1983.

Last October Mr John Danny, the Grovewood chairman who has built up the company, was given the opportunity by BAT to arrange a management buy-out when the parent company made clear its intention to sell. However, the buy-out was abandoned when it failed to raise sufficient support among City institutions.

Mr Jeremy Lancaster, the Wolseley chairman, is known to favour a move in Britain having just spent over £70m on two American acquisitions. Grovewood's agricultural machinery companies—Sparex and Vapormatic—would fit particularly well as would Ranton, the plastic mouldings business, and the builders' merchants, M. F. Harris and M. A. Ray & Sons.

Zimbabwe lift at T & N

BY MARTIN DIXON

Turner and Newall, the automotive and industrial components group, is likely to get a boost of about £5m to its 1985 pre-tax profits by including in its accounts a Zimbabwean subsidiary which was deconsolidated at the end of 1982.

The decision comes just two weeks after Turner announced that one of its insurers had agreed to a deal which would wipe £8m off its 1985 bill for asbestos-related disease claims. Expectations had been that the costs would have been around £12m.

The two developments seem likely to boost Turner's pre-tax profits from around the £22m analysts had been expecting to around £35m. Neither the insurance deal nor the reconsolidation should affect the tax charge.

The 1984 accounts will be restated to take in the profits of the Zimbabwean company, of around £7m, taking the total up from £20.5m to £27.5m.

The subsidiary, Shabanie and Mashaba Mines, which produces asbestos fibre, was deconsolidated because the board felt local legislation inhibited management from taking steps to resolve its acute trading difficulties.

However, in 1985 the situation changed, and the management no longer feels itself subject to the same constraints. It will therefore be included in the accounts with effect from January 1, 1985.

Demerger claims a market for paper issue

By Charles Batchelor

DEMERGER CORPORATION, the newly-created company which has launched an audacious £173m takeover bid for Extel, claims to have made progress in establishing a market for the paper it will issue to acquire the information group.

One of the criticisms of the Demerger offer was that there would be no way for shareholders to sell shares and loan stock to be issued by Demerger for the four non-core businesses of Extel.

Demerger said it had received approaches from parties willing to buy any shares and loan stock offered by Extel shareholders for at least the value put on them by the Demerger offer. This should avoid the need for a conventional cash underwriting.

It also announced the names of its four main shareholders in an attempt to clear the mystery surrounding its backers.

They are — each with 16.67 per cent — Finlan Group, the property and construction company headed by Mr Michael Rhode, also chairman of Demerger; Jamil al Dahlawi & Co, representing a Saudi sheikh of the same name with hotel and trading interests; Fullerton Corporation, owned by a number of Saudi and Kuwaiti oil traders; and Hamilton Brothers, a Guernsey-based investment company owned by British interests.

Extel dismissed reports that it had held talks with Mr Robert Maxwell about a friendly counter-bid, but confirmed he had built up a stake of between 4 and 5 per cent of the equity before the Demerger bid was announced.

BBA profits boost

BBA, the conveyor belting and friction materials group which has made an agreed bid for Automotive Products, has estimated that its 1985 pre-tax profit was in excess of £12.75m (£5.41m in 1984) and that earnings per ordinary share topped 8p (0.88p).

AP estimates that its pre-tax profits for the year to January 3 1986 were about £7.5m, an increase of 92 per cent on the £3.9m reported in 1985. Taxed profits were put at £6.3m (£2.9m).

MEPC says no discussions held on Trafalgar bid

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

MEPC, the UK's second largest *property development and investment group*, said last night that it had held no discussions with Trafalgar House about a possible takeover bid from the international construction, shipping and hotels group headed by Sir Nigel Broackes.

A short statement said that the two companies had not held any talks about a bid and followed weekend speculation that Trafalgar, which already has its own, extensive property development arm, was considering mounting a near-£1bn takeover for MEPC, *where Mr Christopher* Benson is chairman.

There was no comment yesterday from Trafalgar House and the suggestion that a bid is being considered is as likely to be aimed at gauging the possible reaction of institutional shareholders as it is intended to discover MEPC's attitude.

Any bid for MEPC, which has a current market capitalisation of about £715m, would almost *certainly have to be on an agreed* basis. Trafalgar, which would be anxious to avoid any dilution of earnings which might arise from a contested fight, is understood to have decided as much.

Last year, MEPC recorded pre-tax profits of just over £51m but *its performance was hit by its* substantial exposure to currency losses, arising out of its extensive US and Australian operations.

In some respects, a deal with MEPC would come as a surprise, as Trafalgar's attitude towards property has, until recently, been lukewarm. *The group has just* started to step up its exposure to property development, having largely withdrawn from the market about three years ago. It has several major projects in the pipeline and has ambitions to increase its US property activities. The group last year achieved pre-tax profits of £142.5m on turnover approaching £2bn.

Yarrow says Weir offer is gross undervaluation

BY MARTIN DICKSON

YARROW, the engineering company fighting a £20m takeover bid from Glasgow neighbour Weir Group, yesterday urged shareholders to reject the final offer which it said grossly undervalued the company, and, if successful, would damage its business. Weir's bid closes at the end of this week.

Yarrow argued that a takeover of its important YARD subsidiary, a naval architecture and marine engineering specialist, would create conflicts of interest and alienate existing and potential clients and staff.

The company said it had already had intimations from certain clients that they were worried about the possibility of YARD losing its independence.

The company added that Weir's final offer represented only 8.4 times prospective earnings, after stripping out from Weir's offer a 175p a share capital repayment Yarrow is planning to make to shareholders, and after deducting the income attributable from this capital. From Yarrow's profits, it argued that companies comparable with YARD were trading on an average prospective p/e of 18.

Ansbacher talking with Aitken

BY MARGARET HUGHES

Henry Ansbacher, the merchant bank which was reconstructed last year, has held exploratory discussions with Aitken Hume, the fund management and banking group. However, Ansbacher's chief executive, Mr Richard Fenhalls, said yesterday that the talks were "very preliminary" and denied that any bid was imminent.

Mr Fenhalls confirmed the bank was looking for acquisitions to expand its merchant banking and financial services. Aitken Hume was one of three "situations" which is was considering.

A spokesman for Aitken Hume said it had been involved in "exploratory" talks with several possible partners, including Ansbacher and Mr Ivan Boesky, the Wall Street arbitrageur. But it has not held talks with Guinness Peat, which is understood to have acquired a stake of just under 5 per cent.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	172	166	Brookmount	172	+4	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Cable & Wireless 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Chancery Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Granyte Surface 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Intl. Inv. Tst. J'rsey wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Jacques Vert 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Kleinfeld Inc. $0.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Macro 4 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Microsystems 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Really Useful Grp. 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Storehouse 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Telfos Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
140	F.P.	[illegible]	144	140	Wickes 40p	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Lon. Props. 10¼% 1st Mort. Deb. 2025	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Anglo-Nordic 11¼% Cnv. Pr.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Do. 10% Cnv. Uns. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	First Scot. Am. 11¼% Deb. 2016	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Great West. Res. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Gt. Univ. Stores Prop. Cnv. Uns. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide Bldg. Soc.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rosehaugh Greycoat	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Tiphook 9% Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	T. T. Finance 11¼% Gtd. Deb. 2015	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cannon St. Invs. 20p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Charring Cro. Pk. Ord. 5p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	GALA 50p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Gray Electronics 10p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Peel Hldgs.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Stormgard 10p	[illegible]	[illegible]
†1200	F.P.	27/3	70	68	Telfos	70	......
70	F.P.	17/2	85	79	Triplex	85	......
52	F.P.	25/2	118	80	Unigroup 15p	118	......
35	Nil	10/3	7pm	5pm	Walker (C & W) 15p	5pm	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. t Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ● Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Anglo American Gold	Mar 7	Final 580c
BBA	Mar 15	Final 0.9
BSR	Mar 6	Final 1.295
BTR	Mar 6	Final 7.25
*Barclays Bk	Mar 6	Final 13.5
Bejam	Mar 13	Interim 1.75
*Berisford (S. and W.)	Feb 24	Final 7.0
*Birmid Qualcast	Feb 13	Final 2.59
*British Petroleum	Feb 20	Final 20.0
Cadbury Schweppes	Mar 7	Final 4.3
Collins (Wm.)	Mar 12	Final 9.0
Commercial Union	Mar 7	Final 8.95
Cons Gold	Mar 5	Interim 8.5
Cons Plants	Mar 7	Interim 8 sen
*Dalgety	Feb 17	Interim 11.0
De Beers	Mar 12	Final 27.5c
Fisons	Feb 28	Final 2.7
General Accident	Mar 6	Final 12.0
General Mining	Mar 7	Final 135c
Guest Keen	Mar 13	Final 6.5
*Hong Kong & Shanghai Bkg	Mar 11	Final $0.31
*ICI	Feb 27	Interim 18.0
Kleinwort Benson	Mar 12	Final 9.0
Lex Service	Mar 6	Final 6.5
*Lloyds Bank	Feb 28	Final 17.0
*Low and Bonar	Mar 10	Final 8.7
McAlpine (A.)	Feb 25	Final 7.5
Marley	Feb 25	Final 2.35
Midland Bk	Mar 8	*Final* 14.5
Mitchell Cotts	Mar 15	Interim 1.6
*NatWest	Mar 4	Final 18.34
Nottingham Manufctrg	Feb 11	Final 5.1
*Peachey Property	Feb 18	Interim 3.0
Philips Lamps	Mar 7	Final Fl 1.40
Provident Financial	Mar 5	Final 7.0
*Ransomes Sims and Jefferies	Mar 10	Final 14.0
*Reuters	Feb 12	*Final* 1.5
Rowntree Mackintosh	Mar 14	Final 7.4
*Royal Insce	Feb 27	Final 15.0
Saga Holidays	Feb 28	Final 2.7
STC	Feb 27	Final 5.75
*Securicor	Feb 12	Final 1.1
Sime Darby	Mar 9	Interim 4 sen
Shell	Mar 14	Final 21.1
TI	Mar 14	Final 5.0
Transport Development	Mar 14	Final 4.0
Ultramar	Mar 13	Final 6.5
Unilever	Mar 5	Final 24.03
United Biscuits	Mar 13	Final 4.8
Vantona Viyella	Feb 26	Final 6.0
*Vickers	Feb 24	*Final 6.0*
Wagon Finance	Feb 14	Final 2.5
Wolseley-Hughes	Mar 13	Interim 3.0
Yorkshire Chemicals	Mar 12	Final 1.75

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Access Satellite International, C. H. Bailey, Press Tools.

Finals: George Dew, Manchester Ship Canal.

FUTURE DATES

Interims—

Amstrad Consumer Electronics	Feb 11
Dale Electric International	Feb 13
Goodhead Print	Feb 17
Media Technology Intnl.	Feb 20
Sigmex Intnl.	Feb 18
Stothert and Pitt	Feb 21

Finals—

Apleyard	Mar 13
Fleming Mercantile Inv. Trust	Mar 4
Ladies Pride	Feb 25
Lowe (Robert M.)	Feb 13
SKF	Feb 27
Trust of Property Shares	Feb 13
Vantage Securities	Feb 11

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or *finals. The sub-divisions shown* below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Avon Rubber, Melksham House, Market Place, Melksham, Wilts, 2.30

McCarthy and Stone, Homeborough House, Jones Lane, Hythe, Hants, 12.00

Midsummer Inns Paradise, Mansfield Road, Derby, 12.00

BOARD MEETINGS—

Finals:

Dew (George)

European Assets Tst

Manchester Ship Canal

Interims:

Access Satellite Intnl

Bailey (C. H.)

Press Tools

DIVIDEND & INTEREST PAYMENTS—

American Express 34 cts

Baker Perkins 3p

Banco Nacional de Mexico Fltg Rate Sub Nts 1992 $226.04

Coalite 2p

Conversion 9½pc 2001 4.875pc

Halma 0.654p

Imperial Cont Gas 6.25p

Meyer Intl 1.95p

Midsummer Inns 2.5p

Monk (A.) 2p

National Westminster Bk Prim Cap FRNs (Ser B) $443.23

Norcros 2.8p

Plaxtons (GB) 3p

Priestley (A.), Sons 1p

Royal Bk of Canada Fltg Rate Debs 2005 $72.78

Salvesen (Christian) 1.25p

Treasury 10¼pc Cnv 1987 5.125pc

Tunstall Telecom 0.95p

Wardle Storeys 3.3p

Wells Fargo Fltg Rate Sub Nts 2000 [illegible]

[illegible]

Scottish American Inv

Securicor

Security Services

DIVIDEND & INTEREST PAYMENTS—

Assoc Paper Inds 4p

Baggeridge Brick 4.625p

Clydesdale (Transvaal) Collieries 75 cts

Deelkraal Gold Mining 20 cts

Doornfontein Gold Mining 110 cts

Driefontein Cons 145 cts

Exchequer 11pcLn 1990 5.5pc

Kloof Gold Mining 55 cts

Libanon Gold Mining 44.614575p

London and Midland Inds 4.7p

McLeod Russel 4.5p

Nottingham Brick 4.5p

Perstorp Free B SEK1.45

Scottish Invst Tst 3.95p

UKO Intl 1.5p

Venterspost Gld Mining 23.619481p

Vlakfontein Gld Mining 2.802769p

Western Selection 1.7p

THURSDAY FEBRUARY 13

COMPANY MEETINGS—

Dobson Park, Hotel Piccadilly, Piccadilly, Manchester, 12.00

English China Clays, Hyde Park Hotel, Knightsbridge, SW, 12.30

Sidlaw, Nethergate Centre, 35 Yeaman Shore, Dundee, 12.00

DIVIDEND & INTEREST PAYMENTS—

BOARD MEETINGS—

Finals:

Birmid Qualcast

Lowe (Robert H.)

Tribune Inv Tst

Trust of Prop Shs

Yeoman Inv Tst

Interims:

Abingworth

Dale Elec Intnl

Elbief

Mid Wynd Inv Tst

Trent Hldgs

DIVIDEND & INTEREST PAYMENTS—

C. A. Cavendes Sociedad Financiera Fltg Rate Dep 1986 $22.2

Christiania Bk OG Kreditkasse Fltg Rate Sub Nts 1991 $21.56

Fishguard and Rosslare Rlys and Hbrs. 3½pc Gtd Pf 1.225p

Hasbro 37.5 cts

Interfirst Texas Finance Gtd Fltg Rate Nts 1989 $212.43

M and G European General Fund 0.3p

NSS Newsagents 2.25p

Wells Fargo Fltg Rate Sub Nts 1997 $212.43

FRIDAY FEBRUARY 14

COMPANY MEETINGS—

Abbey Panels, Sheraton Skyline Hotel, Bath Road, Hayes, Middx, 12.00

Aspinall, Hilton Hotel, Park Lane, W. 11.45

Flexello Castors and Wheels, Excelsior Hotel, Bath Road, West Drayton, Middx, 12.00

Lee (Arthur), and Sons, Tapton Hall, Shore Lane, Sheffield, 12.30

Windsor Securities, Connaught Rooms, Gt Queen Street, WC, 11.30

BOARD MEETINGS—

Finals:

Glasgow Stockholders Tst

Vantona Viyella

Interims:

Ariel Inds

Ewart New Nrthrn

Memcom Intnl

Second Alliance Tst

DIVIDEND & INTEREST PAYMENTS—

Anderson, Strathclyde 8pcLn 1986-91 4pc

Anglo Nordic 0.4p

Arbuthnot Dollar Inc Fd 3cts

Berisley 1.4p

Brunswick 28 cts

Burton 6.3p

Cohen (A. 3.3p. Non Vtg A 3.3p

Cons Murchison 8.993755p

Continental O'seas. Finance 9¾ Gtd. Nts. 1986 4.8125pc

Crown House 3p

Habitat Mothercare 3p

Hong Kong and Shanghai Prim Cap Und Fltg Rate Nts $217.22

Kleen-E-Ze 1p

Latham (James) 5p

Lees (John J.) 0.5p

Parkfield 1.2p

Pilkington Bros 5p

RHP 2.6p

Stainless Metalcraft 2.2p

Telecomputing 0.85p

Toronto Dominion Bk Fltg Rate Debs 1992 $428.06

Trinity Intl 5pc Cum Pf 1.75p

Volex 3p

Zapata 3 cts

SATURDAY FEBRUARY 15

DIVIDEND & INTEREST PAYMENTS—

Abbot Labs 35 cts

African, European Invst 6pcPf 0.77622p

Anglo American Invst 6pc Cum 1.55244p

Borg-Warner 24 cts

Chase Manhattan 102.5 cts

Colgate-Palmolive 34 cts

Fleming Technology 0.8p

Greater London Council 6¾pc 1990-92 3.375pc

M and G Second Gen Tst 8.75p

Malartic Hygrade Gld Mines (Canada) 10 cts

Scottish Metropolitan 6¼pc 1st Mtg Db 1981-86 3.125pc. 6⅜pc 1st Mtg Db 1988-93 3.1975pc

Sears 7¼pcUnsLn. 1992-97 3.625pc

Southwark Corp 12½pcRd 1987 6.25pc

TSB Gilt Fd 3p

SUNDAY FEBRUARY 16

DIVIDEND & INTEREST PAYMENTS—

Treasury 2½pc Index-Linked 2013 1.25pc

Uniroyal 5pc Cum Pf 3.5p. 5pc 2nd Cum Pf 3.5p

FINANCIAL TIMES STOCK INDICES

	Feb. 7	Feb. 6	Feb. 5	Feb. 4	Feb 3	Jan. 31	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.49	81.76	81.51	81.15	80.89	81.34	84.57	78.02	127.4	49.18
Fixed Interest	87.30	87.26	87.13	86.88	87.17	87.23	90.38	82.17	150.4	50.53
Ordinary	1187.7	1171.7	1163.1	1163.9	1155.3	1161.0	1187.7	911.0	1187.7	49.4
Gold Mines	322.0	327.8	330.4	338.2	344.9	341.3	556.9	237.9	734.7	43.5
FT-Act All.Share	702.16	694.70	692.40	694.63	692.74	686.41	702.16	581.88	702.16	61.92
FT-SE100	1446.0	1425.9	1424.1	1431.6	1425.1	1436.0	1455.5	1206.1	1455.5	986.9

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,161	Ass. Brit. Ind. Ord.	122	—	7.3	6.0	7.6	7.0
—	Ass. Brit. Ind. CULS	127	—	10.0	7.9	—	—
4,052	Airsprung Group	70	—	6.4	9.1	11.7	15.2
875	Armitage and Rhodes	35	−1	4.3	12.3	4.3	5.2
53,965	Bardon Hill	168	+1	4.0	2.4	21.3	22.1
3,082	Bray Technologies	56	—	3.9	7.0	6.6	7.9
479	CCL Ordinary	137	+1	12.0	8.8	3.3	3.2
1,225	CCL 11pc Conv. Pf.	98	+1	15.7	16.0	—	—
8,033	Carborundum Ord.	134	+9	4.9	3.7	6.6	10.3
844	*Carborundum 7.5pc Pf.*	92	+1	10.7	11.8	—	—
4,461	Deborah Services	57	—	7.0	12.3	5.9	7.8
3,034	Frederick Parker	21	—	—	—	—	—
1,698	George Blair	92	—	—	—	3.8	6.8
2,639	Ind. Precision Castings	65	+1	3.0	4.6	17.1	14.3
12,980	Isis Group	163	−1	15.0	9.2	12.5	18.7
6,197	Jackson Group	119	—	5.5	4.6	8.0	8.0
44,134	James Burrough	316	+1	15.0	4.7	10.0	10.0
3,177	James Burrough 9pcPf.	91xd	−4	12.9	13.2	—	—
6,689	John Howard and Co.	64	−4	5.0	7.8	5.1	8.0
28,848	*Minihouse Holding NV*	885	+73	6.9	0.8	38.6	36.7
883	Robert Jenkins	67	−1	—	—	8.7	19.4
1,200	Scruttons "A"	30	—	—	—	—	7.7
1,636	Torday and Carlisle	67	—	5.0	7.5	3.4	6.1
1,473	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
6,280	Unilock Holdings	40	—	2.1	5.3	10.9	10.6
16,921	Walter Alexander	132	—	8.6	6.5	7.5	9.1
4,668	W. S. Yeates	200	—	17.4	8.7	6.7	9.8

INTERNATIONAL APPOINTMENTS

Lead changes at Exxon Chemical

EXXON CORPORATION of the US, the world's largest oil company, has appointed Mr H. Eugene McBrayer president of *Exxon Chemical Company*, the division based in Connecticut which is responsible for the group's worldwide chemicals business.

Mr McBrayer, who has also been elected a vice president of the parent, takes up his duties on March 1, in succession to Mr Edwin C. Holmer, who is retiring after 44 years with Exxon, and 10 as president of the chemicals company.

Mr McBrayer, who has been with the group since 1953, is currently executive vice president of Exxon Chemical. From 1977-79, he was chief executive of Exxon Nuclear Company, the supplier of uranium and fabricated fuel for nuclear power plants. Earlier he had been president of Exxon Enterprises, a division responsible for diversified ventures outside the petroleum and chemicals business.

* * *

MR JOHN OGREN *is to succeed* Mr Harry Sager as chairman and managing director of Conoco (UK), the offshoot of the US oil company owned by Du Pont, the diversified chemicals group.

Mr Sager will take up duties as vice president, North American production at Conoco's headquarters in Houston on March 1. Mr Ogren is currently manager of Conoco's North American production department.

* * *

ROLM CORPORATION, the Californian maker of communications and computer equipment taken over by International Business Machines in 1984, has appointed Mr Denis P. Paboojian president.

He succeeds Dr M. Kenneth Oshman, who has resigned from this post and from that of vice president of IBM.

Dr Oshman, 45, who has been involved with Rolm since its founding 17 years ago, believes "it is now time to seek new challenges."

* * *

EATON CORPORATION, the Ohio-based manufacturer of advanced technology products for the electronics, electrical and vehicle components markets, has announced that Mr James R. Stover is to become chairman and chief executive after the annual meeting on April 23. He succeeds Mr E. M. de Windt, who will be 65 next month, and is retiring.

Mr Stover, 59, will *remain* president, though giving up the post of chief operating officer. Mr Stephen R. Hardis, 50, becomes vice chairman and chief financial and administrative officer, and Mr Alfred M. Rankin, 44, vice chairman and chief operating officer.

* * *

MR FRANK ROTHMAN, chairman and chief executive of MGM/UA Entertainment Company, the Hollywood film production and distribution group, has announced that he is to resign when the sale of MGM to Turner Broadcasting Company is completed.

MGM is the subject of a *$1.5bn bid by Turner*. Mr Rothman is to return to the practice of law, in Los Angeles, as a partner in the firm of Skadden, Arps, Slate, Meagher and Flom.

* * *

MESA LIMITED Partnership, which contains the former oil and gas holdings of Mesa Petroleum Company, has appointed Mr Paul Cain executive vice president, and Mr I. T. Worley vice president, finance.

Head for Suchard America

By John Wicks in Zurich

JACOBS-SUCHARD, the Swiss-based coffee and chocolate group, has appointed Mr Robert Jaunich to head a newly-formed North American division.

Mr Jaunich is a former president and chief executive of Osborne Computer Corporation, the Californian personal computer pioneer now facing liquidation. Previously, he was president of Consolidated Foods (now Sara Lee Corporation), the international consumer products group with headquarters in Chicago.

Further reorganisation at Jacobs-Suchard brings into being a division to control raw material trading and general financing, for which Mr Guenter Bolte assumes responsibility. This sector includes the activities of *Sopra*, the London trading company set up by the Zurich concern last summer, and of Banco Aleman-Panameno, which it took over at the end of last year.

Mr Francois N. Steeg, the management chairman, remains in charge of central operations.

President of National Bank of Canada

NATIONAL BANK of Canada *has elected Mr Andre Berard*, aged 45, president and chief operating officer with effect from April 1, following the retirement of Mr Gilles Mercure.

Four executive vice president appointments have also been made: Mr Jean Pierre Belanger at the corporate banking division; Mr Roland Robichaud, commercial lending; Mr Humberto Santos, branch operations; and Mr Jean Turme, treasury.

* * *

AMERICAN EXPRESS Bank (AEB), the international banking arm of American Express Company, has ... Mr David L. Askren has joined AEB as senior vice president. *Mr Askren* has also been appointed president of American Express Bank International.

* * *

MR NICHOLAS C. AYLWIN is to join PaineWebber International Capital of the US as executive director responsible for merger and acquisition business in Europe. The company handles the international investment activities of PaineWebber Group, the New York securities concern.

Mr Aylwin moves from Hill Samuel, the London merchant bank.

* * *

NOMURA SECURITIES International, the Japanese securities house, has appointed Mr Paul Sclafani a vice president, and Mr Gene Kim and Mr Rob Rubin assistant vice presidents.

The three have been recruited from First Chicago to widen the range of money market services Nomura offers in New York to include interest rate and currency swaps.

* * *

MR R. VAN DER BORCH, general manager of the London branch of Amsterdam-Rotterdam Bank, has been appointed head of the corporate banking division at the bank's Amsterdam headquarters.

He will be succeeded, on March 1, jointly by Dr M. Höbart, and Mr C. M. van der Spek. Dr Höbart, who moves to Amro from the post of general manager of Oesterreichische Landerbank in London, will primarily be responsible for forfaiting and trade finance, as well as for the treasury.

Mr van der Spek, at present deputy general manager in Tokyo, will be responsible for corporate and commercial banking, and for operations.

* * *

MR MARIO MAURO, chief manager of the London branch of San Paolo Bank, has been appointed head of finance and of the treasury at the head office in Turin. He is succeeded in London by Mr Ernesto Rovati.

Moveround at Clark Michigan

MR ERIC L. JOHANSON has been appointed president of Clark Michigan Company, the subsidiary of the VME Group, which is in turn owned equally by Clark Equipment of the US and Volvo of Sweden. He succeeds Mr Charles A. Klorpes, who becomes vice chairman.

Clark Michigan and Volvo BM, a sister VME subsidiary, manufacture and market wheeled loaders, off-highway haulers, rubber tyred bulldozers and heavy duty excavator loaders under the Volvo BM, Michigan and Euclid trademarks.

Mr Johanson continues as president and chief executive of VME Group, and as chairman of Clark Michigan and of Volvo BM.

Thorn EMI/HBO

MR FRANK O'CONNELL has been appointed chief executive of the partnership formed by Thorn EMI Screen Entertainment and Home Box Office to acquire and distribute home videos in the US and Canada.

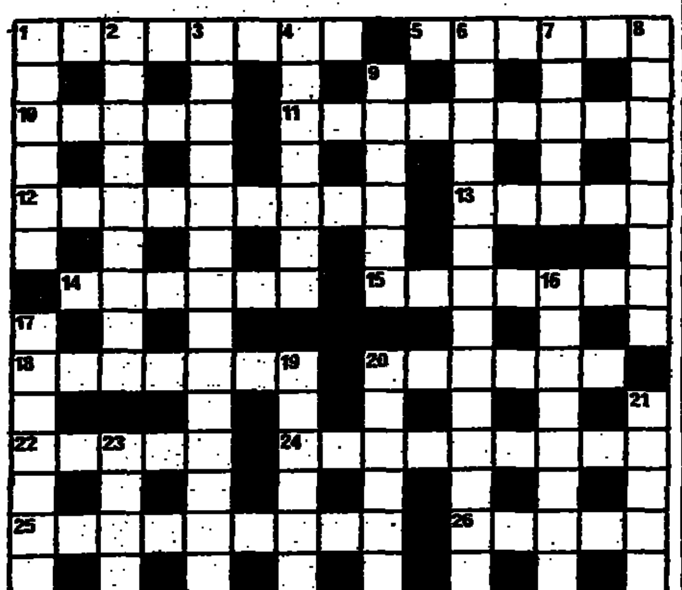
Canadian Pacific shipping chief

CANADIAN PACIFIC, the transport and natural resources group, has appointed Mr Harvey Romoff chairman and chief executive of its CP Ships *division*.

Mr Romoff will have overall responsibility for the group's shipping interests. He becomes president and chief operating officer of Canadian Pacific Bulkship Services, and remains chairman of Canada Maritime Services.

BURMEISTER AND WAIN, the Copenhagen shipyard and shipbuilding services company, has appointed Mr Kjeld Amann deputy managing director, with the primary responsibility of marketing and sales. He joins with Mr Cato F. Sverdrup, the managing director, to make up the board of management. Mr Sverdrup was formerly ... national, the US subsidiary of ...

F.T. CROSSWORD PUZZLE No. 5,944



ACROSS

1 Violently blast tee. Driver's essential (4,4)
5 *Fruit—more than one would be nuts!* (6)
10 Some rod I ruled with, if returning, is sensational (5)
11 Kind of song I'll yodel initially in France (9)
12 Commercial speculation coming to flower (9)
13 Local office not opening. Where's the stock? (5)
14 Top class fur capable of being worn? (6)
15 Tourist operator for a switch (7)
18 Eternal Dawson in a long time? (7)
20 Edge of batting blade for a delicate stroke (6)
22 Express gratitude or blame (5)
24 Distance half gone? Exaggerated (9)
25 Bells of Scotland? (9)
26 Scale about part of body (5)
27 Unknown quantity in laymen shows lack of firmness (6)
28 Makes up crossword? Complies with certain order! (8)

DOWN

1 Fruit insufficient for a sovereign (6)
2 *Go-getter to get there takes in one good man* (9)
3 Hotel term for stock exchange transaction (3,3,9)
4 Tick off a lesson (7)
6 Unwarranted commotion following outpouring? (1,5,2,1,6)
7 Shouting head (and tail) off, being tired out (3-2)
8 Why Near East? Could be any place (8)
9 Story book is a gift (6)
16 *Punishment's not on* if there are no names (4,5)
17 This mile is somewhat longer (8)
19 Society's repugnance for a sort of light (6)
20 Secret force altering postage (7)
21 Rising main has chap climbing inside for bricks (6)
23 Mad crazy team picked up to make a blend (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

APPOINTMENTS

Investment manager for Scottish Provident

The SCOTTISH PROVIDENT has appointed Mr Colin W. McLean, to be investment manager from March 1 and also to be director of Scottish Provident Managed Pension Funds and Scottish Provident Investment Management. He is at present a director and deputy general manager of FS Assurance and managing director of FS Investment Managers.

★

EDINBURGH FUND MANAGERS has appointed Mr David McCraw *as an assistant director.*

★

Mr W. A. Lake has taken over from Mr T. W. Higgins as chairman of LANGTON UNDERWRITING AGENTS. Mr Higgins remains a director.

★

Following the association of Clarkson Puckle International Benefit Consultants and The International Employer Mr D. C. Millwater will be appointed to the board of THE INTERNATIONAL EMPLOYER and Mr R. Hume-Rothery to the board of CLARKSON PUCKLE INTERNATIONAL BENEFIT CONSULTANTS.

★

Mr David Hoddy has been appointed managing director of WOOLCOMBERS, an Illingworth, Morris company. His appointment follows his being made managing director designate in 1984 and the retirement last September *of* Mr Donald Hanson.

★

Mr R. S. Taylor has been appointed a director of JAMES BEATTIE. He was group financial controller and company secretary.

★

BULMER & LUMB (HOLDINGS) states that Mr E. K. Macaulay has retired from the board to devote more time to other business interests. Mr M. Greenhalgh will take over responsibility for the yarn division.

★

Mr Robert E. Ross has been appointed managing director of shipbrokers H. E. MOSS & CO. from the retirement of Mr W. H. Burden on March 31. Mr Ross joined H. E. Moss, part of the Cunard Group, in 1974 and became a director in 1977.

★

Mr John G. Foster and Mr Andrew R. Cherry have been appointed directors of HODGSON & FARADAY. They are both partners in the firm of Stoneham Langton & Passmore, solicitors.

★

Mr Philip Hamilton has been *appointed managing director of* THE WRIGLEY COMPANY. He joined in June last year as deputy MD, initially responsible for marketing and sales, after 21 years with CPC Europe.

★

Mr Roy Close, former director general of the British Institute of Management, has been appointed chairman of BROAD STREET ASSOCIATES.

★

Mr Piers Rouse has been appointed to the board of SHEARMAN ASSOCIATES. He was previously a financial planning manager with Sun Alliance.

★

Mr Gerry Posner has been appointed managing director of EUROTHERM, Worthing. He joins from Chessell Corporation in Newtown, Pennsylvania, a subsidiary of Eurotherm International of which he was appointed president in 1983.

★

LLOYD'S MARITIME INFORMATION SERVICES, a new joint venture company formed by Lloyd's Register of Shipping and *Lloyd's of London Press*, has appointed Mr Alan Goldman as its chief executive. He was a director of Ellerman Harrison Container Line.

★

The INSTITUTE OF PACKAGING has appointed *Mr John* Pennell as its chief executive.

★

PETER HAND (GB) has appointed Dr C. Jonathan Shepherd to the board. Currently managing director of P. H. Pharmaceuticals—the parent company's veterinary pharmaceuticals subsidiary—Dr Shepherd joined the Peter Hand group from Unilever in 1984.

★

Mr Gerald Cohen, managing director of *Power Gardening* (Slough), has been elected president of the BRITISH AGRICULTURAL AND GARDEN MACHINERY ASSOCIATION.

★

Mr Antony Carr, managing director (overseas) of BET Access, has been elected chairman of the NATIONAL JOINT CONSULTATIVE COMMITTEE FOR BUILDING.

★

CRABTREE ELECTRICAL INDUSTRIES has appointed Mr Gerry Fisk as managing director. The company is part of the Lindustries division of Hanson Trust. Mr Fisk has been with the Hanson Trust Group for several years, most recently as divisional managing director of Hanson Engineering Industries and prior to that as managing director of Joseph Rhodes. In addition Mr Fisk will have overall responsibility for Marbourn, and Crabtree's subsidiary company in South Africa.

★

LEGAL AND GENERAL INTERNATIONAL has made a change in executive management at its reinsurance subsidiary, Victory. Mr Alan Preston, chief executive at the Victory Reinsurance Company since April 1976, is to retire on June 30. He will be succeeded by Mr John Butcher, currently deputy general manager (operations), who is appointed deputy chief executive from April 1 and chief executive from July 1.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg 01 236 3885

International Growth	122.3	130.9	-0.9	1.00
Income & Growth	47.5	50.5	+0.6	2.90
Special Situations	68.6	73.4	-0.6	2.10
American Growth	32.1	34.1		3.10
Japan Growth	38.6	41.1	-0.2	0.00
European Growth	52.4	56.1	-0.3	2.90
UK Growth	45.5	48.7	+0.3	1.30
Pacific Growth	33.6	36.0		0.70
High Income	29.1	31.2		8.10
Practical Income Units	45.5	48.4	+0.2	2.70
Practical Accum. Units	81.8	87.1	+0.5	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01 405 8441

Pearl Growth Fd.	76.2	81.1	+0.5	2.81
Accum Units	112.7	119.9	+0.7	2.81
Pearl Inc.	102.4	108.9	+1.1	4.98
Pearl Unit Tst.	108.5	115.4	+1.1	3.61
(Accum. Units)	185.7	197.6	+1.8	3.61
Pearl Intl Equity	108.3	115.2	-0.2	1.70
(Accum Units)	108.3	115.2	-0.2	1.74

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	230.2	247.0	-0.6	1.31
Income	161.8	173.3	+1.2	5.29
Worldwide Recovery	128.9	138.4	-0.1	1.99
American Growth	65.1	69.9	-0.1	1.01
Intl Emerging Cos.	69.5	74.6		0.68
Far East Growth Fd.	56.2	60.3		1.12
European Growth Fd.		50.0		

Prolific Unit Trusts
222 Bishopsgate, London EC2 01 247 7544/7

Prolific American Inc	51.9	52.2	-0.2	5.42
Prolific Far East	124.1	133.9	+0.7	0.27
Prolific Extra Inc	71.1	75.4	+0.4	5.24
Prolific C'erm & Gilt	84.1	89.2	+0.5	7.06
Prolific High Inc	152.4	161.1	+1.3	4.52
Prolific Intl	93.5	100.5	+0.1	1.68
Prolific N Amer	128.5	138.2	+0.4	2.30
Prolific Spec. Sits	170.0	180.3	+1.3	0.98
Prolific Technology	108.5	116.7		0.58

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01 749 9111

Japan Inc.	58.4	62.5	-0.6	0.00
Japan Acc.	58.6	62.4	-0.6	0.00
Worldwide Inc.	60.3	64.2		1.52
Worldwide Acc.	60.9	64.8		1.52
European Tst Inc	74.2	79.0	-0.9	0.68
European Tst Acc.	74.4	79.2	-0.7	0.68
North American Inc	53.0	56.4	-0.3	1.73
North American Acc.	53.6	57.1	-0.3	1.73
UK Equity Inc	56.4	60.0	-0.1	2.70
UK Equity Acc.	57.8	61.5		2.70

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	207.7	221.3	-1.8	2.17
(Accum Units)	233.2	248.6	-2.0	2.17
(Withdrawal Units)	150.3	160.2	-1.3	2.17
Australian Fund	116.4	124.0	-1.1	0.93
(Accum. Units)	117.6	125.4	-1.7	0.93
British Fund	505.7	538.6	+4.5	4.45
(Accum Units)	673.0	716.9	+6.0	4.45
European Fund	231.4	246.5	-2.5	1.00
(Accum Units)	243.6	259.6	-2.6	1.00
Japan Fund	238.4	254.0	-2.8	0.39
(Accum Units)	239.1	254.8	-2.8	0.39
Saints PPP	143.6	151.2		

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	342.2	364.0	+3.5	2.59
North America	54.0	57.4	-0.4	1.84
Far East	57.7	61.3	-0.4	0.89

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01 606 6010

American Growth Acc	26.9	28.6	-0.1	1.7
American Income Acc.	27.2	28.9		4.3
American Income Inc.	26.8	28.5	-0.1	4.4
European Growth Acc	42.5	45.2	+0.2	1.90
Far East Growth Acc	31.0	33.0	-0.3	0.8
Int. Growth Acc.	28.9	30.7	-0.1	0.8
Japan Growth Acc	37.7	40.1	-0.4	0.3
UK Growth Acc.	31.2	33.2	+0.3	2.3
UK Income Acc	27.5	29.3	+0.1	4.3
UK Income Inc.	27.0	28.7	+0.2	4.4
Managed Growth Acc	33.9	36.1	+0.2	2.1
Managed High Yield Inc	32.8	34.9		6.7
Managed Income Inc.	28.8	30.6	+0.2	4.1

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99 101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	238.9	252.7	3.89
Equity Acc.*	287.3	304.0	3.89
Fixed Int. Dist.†	112.8	116.8	11.58
Fixed Int. Acc. †	165.4	171.3	11.58

*Prices on Feb 3 Next dealing Feb 12
†Prices on Feb 5 Next dealing March 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover Hants SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	107.2	114.1	-0.6	1.10
Do Accum	111.6	118.8	-0.6	1.10
TSB Extra Income	94.8	100.9	+1.1	5.77
Do Accum	109.1	116.1	+1.3	5.77
TSB General	139.0	147.9	+1.3	2.96
Do Accum	226.0	240.5	+2.2	2.96
TSB Gilt & Fxd Int	45.5	47.6	+0.1	9.40
Do Accum	58.2	60.7	+0.2	9.40
TSB Income	185.9	197.8	+1.6	4.70
Do Accum	285.2	303.5	+2.7	4.70

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund
2 Boulevard Royal, Luxembourg
World Fund NAV ... $14 77 | +0 10 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $14 95 | −0 03 | —
Inv. Adv. M & G. Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $15.33 | +0 12 | —
Dynamic Gwth Fd ... $12.16 | +0.19 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $10.68 11.32 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.95			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	12 44	9 10	13 64	6mth
7-day Fnd	12 41	9 27	13 60	6mth
Oppenheimer Money Management Ltd 66 Cannon St EC4N 6AE 01-236 1425				
Call Fnd	11.69	8.71	12.71	6-Mth
7-day Fund	11.80	8.85	12.87	6-Mth
Dollar	6.90			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	11 50	8.90	12.53	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11 75	8.78	12 97	Qtr
Mth. Int. Chq.	11 75	8.78	13.06	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	13.00	9 72	14.53	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	12 15	9.08	13.53	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.125	13 49	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11 75	8.78	13.0649	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.00	8.96	13.35	Mth
U.S. Dollar	7 25	7.25	7.50	Mth
German Mark	4.25	4.25	4.33	Mth
Swiss Franc	1.50	1.50	1.51	Mth
Japanese Yen	5.30	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus		9.34	13.93	Mth

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا اصل الأصل

هكذا عن الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ◊ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102	......	Fin. 13% 97/02	£106¼	+¼
Craig & Rose £1	850	......	Arnotts	233	+2
Finlay Pkg. 5p	46	...	CPI Hldgs.	80	.....
Holt (Jos) 25p	720	......	Carroll Inds.	140xd	.....
IoM Stm. £1	52	.....	Dublin Gas	55	.....
			Hall (R. & H.)	61	.....
IRISH			Heiton Hldgs.	24	−2
Fund 11¼% 1988	£97¼	.....	Irish Ropes	52	.....
Nat. 9¾% 84/89	£93½	.....	Unidare	138	.....

"Recent Issues" and "Rights" Page 18
(International Edition Page 20)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

SWITZERLAND

GERMANY

NORWAY

AUSTRALIA

SPAIN

NETHERLANDS

SWEDEN

SINGAPORE

HONG KONG

SOUTH AFRICA

JAPAN

ITALY

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices February 7

Sales	Stock	High	Low	Close	Chng
208	Un Corp	$36 1/2	36 1/2	36 1/2	+ 1/4
2530	Versil A f	420	410	410	− 10
300	Versil B	420	420	420	
800	Vestgron	345	345	345	
12700	Vulcan Ind	340	330	340	+ 10
300	Wajax A	$16 1/2	16 1/2	16 1/2	− 1/8
58783	Walker R	$28 1/2	27 5/8	28 3/8	+ 1/2
5770	Walbume	$17	16 3/4	17	+ 1
433595	Wcoast T	$14 3/8	14 3/8	14 3/8	− 1/8
9490	Westmin	$10 1/4	10	10 1/8	− 1/8
1175	Weston	$111	108	108	− 2
3650	Woodwd A	$7 3/4	7 5/8	7 5/8	− 1/8

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices February 7

Sales	Stock	High	Low	Close	Chng
42250	Bank Mont	$30 7/8	30 1/4	30 3/8	− 3/8
18300	BombrdrA	$16 1/8	15 3/4	16	
16275	BombrdrB	$16 1/8	15 3/4	16 1/8	+ 3/8
1950	CB Pak	$24 1/2	24	24 1/4	+ 1/4
27355	Cascades	$14 5/8	14 3/8	14 1/2	− 1/8
100	CIL	$30 1/2	30 1/2	30 1/2	+ 1/2
37368	ConBath	$23	22 3/4	23	
12417	DomTxtA	$15 1/2	15 3/8	15 1/2	
6721	Gaz Metro	$10 5/8	10 3/8	10 3/8	− 1/4
560	MntTrst	$15 1/4	15 1/4	15 1/4	− 1/8
35901	NatBk Cda	$23 5/8	23 1/4	23 1/2	− 1/8
17825	Power Corp	$24	23 5/8	24	− 1/4
26911	Provigo	$16 7/8	16 3/8	16 7/8	
900	RollandA	$19 1/2	19 3/8	19 3/8	− 1/2
27883	Royal Bank	$30 1/8	29 5/8	29 3/4	− 1/2
5112	RoyTrstco	$24 5/8	23 3/4	24 3/8	+ 7/8
2800	SteinbrgA	$38 3/4	38 1/4	38 3/4	+ 1/8

Total Sales 4,335,340 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices February 7

Continued from Page 29

NEW YORK INDICES

NEW YORK ACTIVE STOCKS

N. AMERICAN QUARTERLY RESULTS

COLUMBIA GAS SYSTEM
Gas wholesaler

Fourth quarter	1985 $	1984 $
Revenue	1.22bn	1.21bn
Net profits	24.8m	27.9m
Net per share	0.53	0.62
Year		
Revenue	4.14bn	4.64bn
Net profits	†107m	138.6m
Net per share	†2.67	3.53

† Loss reflects $207m rate settlement charge.

CENTEX
Homes, building materials

Third quarter	1985-86 $	1984-85 $
Revenue	343.9m	295.9m
Net profits	11.3m	8.4m
Net per share	0.63	0.49
Nine months		
Revenue	1.07bn	909.6m
Net profits	36.7m	33.5m
Net per share	2.01	1.89

CPC INTERNATIONAL
Food processing

Fourth quarter	1985 $	1984 $
Revenue	1.07bn	1.07bn
Net profits	51.9m	55.1m
Net per share	1.07	1.14
Year		
Revenue	4.21bn	4.37bn
Net profits	142m	193.4m
Net per share	2.92	3.95

EG & G
Electronic instruments

Fourth quarter	1985 $	1984 $
Revenue	305.4m	289.2m
Net profits	16.3m	13.4m
Net per share	0.60	0.50
Year		
Revenue	1.16bn	1.08bn
Net profits	55.7m	53.5m
Net per share	2.07	1.88

REICHHOLD CHEMICALS
Specialty chemicals, resins

Fourth quarter	1985 $	1984 $
Revenue	193.6m	177.1m
Net profits	†55m	5.9m
Net per share	†5.27	0.60
Year		
Revenue	822.5m	801.4m
Net profits	†28.4m	25.7m
Net per share	†3.85	3.63

NORTON
Abrasives engineering materials

Fourth quarter	1985 $	1984 $
Revenue	296.7m	299.2m
Net profits	†165.1m	17.4m
Net per share	†8.27	0.87
Year		
Revenue	1.19bn	1.2bn
Net profits	†129.6m	60.4m
Net per share	†6.50	3.04

† Loss includes $187.5m restructuring charge

Closing prices, February 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	16	AAR	.56	2.0	17	117	27 7/8	27 3/8	27 7/8	+ 1/4
24 5/8	10 1/4	AGS			18	117	23 1/8	22 7/8	23 1/8	+ 1/2
50 3/4	35 3/4	AMR			8	7643	50 1/4	47 1/2	50	+ 7/8
24 3/4	18 5/8	AMR pf2.18		8.9		1	24 5/8	24 5/8	24 5/8	
25 5/8	23 3/4	ANR pf 2.67		11.		5	25 1/8	25 1/8	25 1/8	
22	19	ANR pf 2.12		10.		1	20 7/8	20 7/8	20 7/8	− 1/8
11 3/4	7 3/8	APL			5	104	10 7/8	10 5/8	10 7/8	+ 3/8
16 3/4	10 5/8	ARX			13	141	14 1/2	14	14 1/2	+ 3/4
55 5/8	32 3/4	ASA	2a	5.3		143	37 7/8	37 1/4	37 3/4	+ 1/8
25 1/2	10 1/2	AVX		2.2		585	14 1/2	14 3/8	14 1/2	
28 1/8	20 5/8	AZP	2.72	10.	7	826	26 5/8	26 1/4	26 1/2	
72	46	AbtLab 1.40		2.0	18	2585	69 1/4	67 3/8	68 1/2	− 1/8
29 1/4	19 5/8	AccoWd .50		1.7	20	117	28 7/8	28 3/8	28 7/8	+ 1/2
24 3/4	10	AcmeC .40		3.1	19	60	13	12 1/2	13	+ 3/8
10 1/2	7	AcmeE .32b		3.7	16	11	8 3/4	8 5/8	8 3/4	+ 1/8
19 3/4	16 1/8	AdaEx 1.90e		11.		83	17 3/4	17 1/2	17 3/4	+ 1/8
22 3/4	14	AdmMl .40		2.0	8	12	20 1/2	20 1/2	20 1/2	
18 3/8	8 3/4	AdvSyst .36t		8.2	15	1031	16 1/2	15 3/4	16 1/2	+ 1
36 1/8	22 1/8	AMD				13096	30 1/4	28 5/8	29 5/8	+ 3/8
12 5/8	10 5/8	Adobe n				83	10 7/8	10 5/8	10 3/4	
18 3/8	14 5/8	Adob pf 1.84		11.		43	16 1/2	16 1/4	16 1/2	+ 1/4
18 1/2	15 1/4	Adob pf 2.40		13.		33	18 1/4	18	18	
15 1/8	8 1/8	Adwest .12a		.8	14	185	14 7/8	14 5/8	14 7/8	
57 1/2	39 5/8	AetnLf 2.64		4.6	19	3173	57	55 3/4	56 7/8	− 1/8
57 1/2	52 1/2	AetL pf5.19e		9.6		161	54	53 5/8	53 7/8	+ 3/8
100 1/2	99 3/4	AetL pfC.92e		.9		175	100 1/2	100 1/8	100 1/2	
62 1/4	27 1/4	Ahmns 1.20		2.0	8	4026	62 1/8	60 3/4	61	− 1
4 5/8	2 1/2	Aileen			200	105	4 1/8	4	4	− 1/8
72 1/2	46 7/8	AirPrd 1.48		2.1	15	1166	71 3/4	69 5/8	71 1/2	+ 1 1/2
24 5/8	17 1/2	AirbFrt .60		3.1	14	253	19 1/2	18 3/4	19 1/2	+ 1/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5	3¼	PacPtr s			9	527	3½	3⅜	3⅜	
15¼	11½	PayNP	.84	4.8	16	206	13⅝	13	13¾	+¼
23⅝	13½	PayCsh	.16	.9	20	1316	17¾	17¼	17¾	
1⅛	¼	Pengo				142	½	13-32	7-16	+1-16
58⅝	45	PenCen			19	318	53¾	53¾	53¾	+⅛
60	45⅞	Penney	2.36	4.0	11	1836	59⅛	58	59⅝	
29⅞	23½	PaPL	2.56	8.7	11	553	29⅝	29¼	29½	−⅛
42	34	PaPL	pf4.40	11.		z10	40⅝	40⅝	40⅝	
41½	33½	PaPL	pf4.50	11.		z310	u41¾	41	41	
81	64¾	PaPL	pf8.60	11.		z100	80	80	80	−1
29¼	25⅞	PaPL	dpr3.42	12.		28	28⅝	28¼	28⅜	−¼
26⅛	23½	PaPL	dpr2.90	10.		1	28⅛	28⅛	28⅛	+⅛
77½	62¾	PaPL	pr8.40	11.		z200	75¾	75¾	75¾	−¼
29½	24⅝	PaPL	dpr3.25	11.		16	29¼	29	29	−¼
31¾	26	PaPL	dpr3.75	12.		9	30¼	30¼	30¼	
101⅛	80½	PaPL	pf9.24	9.2		z150	100½	100½	100½	
104¾	90¾	PaPL	pr 11	11.		z320	u105	104	104	+¼
73½	60	PaPL	pr 8	11.		z120	72½	72½	72½	−1
80	65	PaPL	pr8.70	11.		z160	79	78½	78½	−½
44½	34	Penwlt	2.20	5.2		160	42½	41¾	42½	+¼
28⅝	21⅝	Penw	pf1.60	6.2		31	26⅝	26	26	
91	36½	Pennzol	2.20	3.4	28	2292	64⅝	62⅝	64½	+2⅞
20⅝	14⅝	PeopEn	.32	6.8	6	668	19⅛	18⅞	19⅛	
28½	17⅝	PepBy s	.20	.7	21	218	27¾	27	27	−⅞
75⅜	42¼	PepsiC	4.78	2.5	12	5318	71⅛	69½	70¾	+¼
34⅝	22⅞	PerkEl	.60	1.8	19	2232	33½	32⅝	33½	
9½	6⅞	Prmian	1.04e	15.	6	666	6⅞	6⅝	6⅞	+⅜
18¾	11⅛	PeryD s	.22	1.3	17	127	17⅜	16⅝	17	

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅝	15	Wynns	.60	3.6	11	17	[illegible]	16¾	16¾	−¼

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65¼	42	Xerox	3	4.6	15	4392	u66¼	63¼	65½	+1⅞
56¾	49	Xerox	pf5.45	9.7		2	56¼	56¼	56¼	−¼
34¾	26	ZaleCp	1.32	4.0	13	103	33	32¾	32⅞	+⅛
17	5	Zapata	.12	2.2	38	568	5½	5¼	5⅜	
66⅛	38⅝	Zayre s	.48	.8	19	298	64⅛	62½	64	
25	16¼	ZenithE			913	1850	18⅜	18	18¼	+⅛
23⅝	17¼	Zero s	.36	1.6	18	118	22⅞	22⅜	22⅝	−⅛
42¾	26¾	Zurnin	1.32	3.1	15	122	42¾	41⅝	42½	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, February 7

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices February 7

[illegible]

Continued on Page 27

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

EEC also has a yen problem

BY COLIN MILLHAM

The Japanese yen was the strongest of the major international currencies last week, but overall there was not a great deal of movement on the foreign exchanges. The yen's strength is hardly surprising, since the Japanese trade surplus remains a major problem as far as the US and EEC are concerned, leading to growing friction and possible protectionist measures, unless more is done to reverse the process. A strengthening of the yen would obviously help in this direction, but officials in Tokyo are moving very cautiously.

Mr Satoshi Sumita, governor of the Bank of Japan, has suggested the dollar's fall has been too rapid, but both he and Mr Noboru Takeshita, the Japanese finance minister, said there was no need for central bank support for the US currency.

Following the meeting of ministers from the Group of Five in September, when the major central banks were successful in obtaining a sharp reduction in the value of the dollar, the market has been less obsessed with each announcement of US economic data, and more willing to be guided by statements from officials.

Judging from recent comments from Tokyo the Japanese authorities are looking for a stable period for the dollar at around Y190. This also appears to be leading to a rate for the D-mark against the dollar of DM2.40, but this will not help solve Europe's economic problems, as far as the deficit with Japan is concerned.

As part of its plans to cut the deficit the European Commission has called upon Japan to strengthen the yen against European currencies, as well as the dollar.

This may be easier said than done however. Mr Helmut Schlesinger, vice president of the German Bundesbank, last week rejected calls for a cut in German interest rates, and the failure of the central bank to reduce the interest rate charged on its money market operations, suggested there is no intention to make an early reduction in the discount or Lombard rates.

The German authorities are worried about encouraging inflation, but as a member of the European Monetary System the strength of the D-mark is causing other problems. Currencies of most members of the EEC—with the noteable exception of sterling—are within the EMS, and with the D-mark holding firm against the yen, the French franc, Italian lira and others are artificially supported. This cannot be what the European Commissioners have in mind, but with an election due next month in France a realignment of the EMS, involving a devaluation of the French franc against the D-mark seems out of the question at present.

Since the beginning of the year the dollar has fallen to about Y190 from Y200, and sterling to Y265 from Y290, but the D-mark has only weakened to Y80 from Y82 and the French franc to Y26 from Y27, with other EMS currencies showing a similar lack of movement against the yen.

A statement from the White House last week mentioned another currency realignment to correct the very large US trade deficit, and it has been suggested that a rate of Y150 is needed. Unless a way is found to prevent the dollar falling at a similar rate against the D-mark, most of the Common Market block will find they have gained virtually no competitive advantage over Japan.

£ IN NEW YORK

Close	Feb. 7	Prev. close
£ Spot	$1.3990-1.3978	$1.3960-1.3970
1 month	0.53-0.50pm	0.53-0.51pm
3 months	1.60-1.57pm	1.63-1.60pm
12 months	5.35-5.25pm	5.40-5.30pm

Forward premiums and discounts apply to the U.S. dollar

CURRENCY MOVEMENTS

Feb. 7	Bank of England Index	Morgan Guaranty Change %
Sterling	74.4	-17.2
U.S. dollar	122.5	-13.5
Canadian dollar	79.5	-18.3
Austrian schilling	133.5	+6.5
Belgian franc	93.2	-3.6
Danish Kroner	83.9	-3.3
Deutsche mark	132.1	+12.9
Swiss franc	151.7	+12.8
Guilder	121.6	+7.7
French franc	70.5	-10.7
Lira	45.6	-16.5
Yen	188.3	+36.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Feb. 7	£	$
Arg'tina	1.1196-1.1211	0.8000-0.8010
Aus'alia	2.0120-2.0160	1.4365-1.4380
Brazil	17,632-17,737	12,600-12,665
Finland	7.5010-7.5340	5.3575-5.3595
Greece	202.82-207.31	145.16-148.22
H Kong	10.9160-10.9260	7.8025-7.8045
Iran	114.20*	83.60*
Kuwait	0.4005-0.4010	0.2860-0.28640
Lux'burg	68.80-68.90	49.15-49.25
Malay'sia	3.4450-3.4520	2.4630-2.4650
N.Z'land	2.5465-2.5485	1.8760-1.8815
Saudi Ar.	5.1005-5.1165	3.6515-3.6517
Sing'pore	2.9845-2.9910	2.1330-2.1350
S.Af.(Cm)	2.9725-2.9800	2.1255-2.1300
S.Af.(Fn)	4.0845-4.2075	2.9195-3.0075
U.A.E.	5.1385-5.1465	3.6715-3.6735

* Selling rate. † Corrections (Feb 5):

CURRENCY RATES

Feb. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.781027	0.642220
U.S. $	7½	1.11140	0.903603
Canadian $	11.47	*	1.26956
Austria Sch.	4	19.7881	15.2438
Belgian Fr.	8¾	54.6274	44.3489
Danish Kr.	7	9.80469	7.97791
D'mark	4	2.66424	2.16820
Guilder	5	N/A	2.44877
French Fr.	9½	8.16663	6.64600
Lira	15½	N/A	147.513
Yen	4½	212.110	172.317
Norway Kr.	8	N/A	6.72326
Span'h Pta.	—	N/A	136.309
Swedish K.	9½	N/A	6.80378
Swiss Fr.	4	N/A	1.83206
Greek Drch	20½	N/A	132.450
Irish Punt	—	N/A	0.715725

* C$/SDR rate for Feb 6: 1.56632.

POUND SPOT—FORWARD AGAINST POUND

Feb 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.3980-1.4105	1.3990-1.4000	0.53-0.50c pm	4.42	1.60-1.55pm	4.50
Canada	1.9614-1.9782	1.9636-1.9677	0.17-0.08c pm	0.70	0.65-0.48pm	1.15
Nethlnd.	3.78-3.81¾	3.80½-3.81½	2¾-1¾c pm	6.30	6¾-6¾pm	6.69
Belgium	68.43-69.02	68.80-68.90	14-5c pm	1.62	23-15pm	1.31
Denmark	12.30¼-12.41½	12.40½-12.41½	5¾-4¾ore pm	4.52	14¾-13¾pm	4.63
Ireland	1.1025-1.1173	1.1136-1.1146	0.50-0.16p pm	3.55	1.53-1.62pm	5.86
W. Ger.	3.34⅞-3.37⅝	3.35⅝-3.36⅝	2⅝-2pf pm	7.58	6⅞-6⅝pm	7.96
Portugal	216½-218¾	216½-218½	270-625c dis	-24.69	585-1565dis	-19.77
Spain	210.45-211.95	211.60-211.90	35-5c pm	1.13	par-115dis	-1.09
Italy	2275¾-2295¾	2282½-2283½	9-13 lire dis	-5.78	32-38dis	-6.13
Norway	10.39½-10.45¼	10.41½-10.42½	par-⅞ore dis	-0.50	1⅞-2⅞dis	-0.67
France	10.25½-10.34½	10.29½-10.30½	⅞-⅛c pm	0.58	6⅞-8⅞dis	-2.84
Sweden	10.50½-10.58	10.55-10.56	1-½ore pm	0.85	3⅞-2⅞pm	1.14
Japan	266½-268	266½-267½	1.49-1.37y pm	7.56	4.33-4.14pm	7.46
Austria	23.45-23.69	23.54-23.58	12⅞-8⅞gro pm	5.32	36-31½pm	5.73
Switz.	2.82⅞-2.85⅞	2.83½-2.84½	2-1⅞c pm	8.19	6⅞-5⅞pm	8.45

Belgian rate is for convertible francs. Financial franc 69.60-69.70. Six-month forward dollar 3.00-2.95c pm. 12-month 5.25-5.10c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.3995	1.3944	1.3838	1.3698	1.3478
D-Mark	3.3625	3.3413	3.2975	3.2361	3.1290
French Franc	10.30	10.2950	10.3731	10.3649	10.2841
Swiss Franc	2.84	2.8206	2.7800	2.7248	2.6285
Japanese Yen	267.0	265.57	262.77	258.72	251.98

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.3489	-1.08	+1.14	±1.5426
Danish Krone	8.12857	7.97791	-1.85	+0.37	±1.6421
German D-mark	2.23840	2.16820	-3.14	-0.92	±1.1455
French Franc	6.86402	6.64600	-3.18	-0.96	±1.3654
Dutch Guilder	2.52208	2.44877	-2.91	-0.69	±1.5162
Irish Punt	0.724578	0.715725	-1.22	+1.00	±1.6673
Italian Lira	1520.60	1475.13	-2.99	-2.06	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3980-1.4105	1.3990-1.4000	0.53-0.50c pm	4.42	1.60-1.55pm	4.50
Ireland†	1.2535-1.2653	1.2565-1.2580	1.15-0.68c pm	8.69	3.55-2.28pm	9.23
Canada	1.4055-1.4080	1.4055-1.4065	0.42-0.46c dis	-3.76	1.16-1.23dis	-3.40
Nethlnd.	2.6960-2.7230	2.7220-2.7230	0.47-0.45c pm	2.04	1.48-1.45pm	2.16
Belgium	48.94-49.25	49.15-49.25	9-14c dis	-2.81	36-43dis	-3.22
Denmark	8.80-8.87	8.86½-8.87	½ore pm-½dis	-0.17	½pm-½dis	—
W. Ger.	2.3910-2.4135	2.4015-2.4025	0.64-0.59pf pm	3.08	2.07-2.02pm	3.41
Portugal	155½-156½	156-156½	250-500c dis	-28.89	600-1300dis	-24.40
Spain	150.40-151.35	151.10-151.30	30-55c dis	-3.38	170-225dis	-5.24
Italy	1628-1638	1631-1632	13-14 lire dis	-9.93	44-46dis	-11.03
Norway	7.42½-7.45¼	7.44½-7.44¾	2⅞-3⅞ore dis	-4.95	9⅞-10½dis	-5.32
France	7.33-7.38½	7.35¾-7.36¾	2½-3c dis	-4.49	13-14½dis	-7.49
Sweden	7.52-7.55	7.54-7.54½	2½-2½ore dis	-3.59	6⅞-6⅞dis	-3.46
Japan	190.30-191.15	190.80-190.90	0.30-0.27y pm	1.79	0.89-0.85pm	1.83
Austria	16.82-16.95	16.90-16.93	2⅞-1⅞gro pm	1.38	6⅞-3⅞pm	1.19
Switz.	2.0200-2.0370	2.0280-2.0290	0.68-0.63c pm	3.88	2.08-2.03pm	4.06

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.70-49.80.

EURO-CURRENCY INTEREST RATES

Feb. 7	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	12⅝-12¾	12½-12¾	12¾-12⅞	12¾-12⅞	12¾-12⅞	12½-12⅝
U.S. Dollar	7¾-7⅞	7¾-7⅞	7⅞-8	8-8⅛	8-8⅛	8⅛-8¼
Can Dollar	11½-12	11¾-12	11⅞-11¹³⁄₁₆	11⅟₁₆-11⅞	10¹⁵⁄₁₆-10¹³⁄₁₆	10⅞-10¹¹⁄₁₆
D Guilder	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5¾-5⅞
Sw. Franc	1¾-2	1⅝-1⅞	3⅛-3⅜	3⅝-4⅛	4-4⅛	4⅛-4¼
Deutschmrk	4⅞-4⅝	4⅞-4⅝	4⅞-4⅝	4⅛-4⅝	4⅛-4⅝	4⅞-4⅛
Fr. Franc	8¾-9	9-9½	12½-12¾	15⅝-16⅝	13½-13¾	12-12½
Italian Lire	13½-15½	15½-17⅛	17¾-19¼	18⅝-19⅝	17-17½	15¾-16⅝
B.Fr.(Fin)	8¾-9	9⅜-9⅝	9⅝-9⅞	9¾-10	9½-9¾	9¼-9½
B.Fr(Con)	8¾-9	9½-10¼	10½-11	10⅞-11⅜	10¼-10¾	9½-10
Yen	5⅞-6	6⅛-6⅟₁₆	6⅟₁₆-6⅛	6⅛-6¼	6-6⅟₁₆	6-6⅛
D. Krone	8⅛-8⅞	8¼-8¾	8½-9	8¾-9¼	9⅛-9⅜	9⅛-9⅝
Asian $ (Sng)	7¾-7⅞	7¾-7⅞	7⅞-8⅟₁₆	7⅞-8⅟₁₆	7⅞-8⅟₁₆	8⅛-8¼

Long-term Eurodollars: two years 8½-8⅝ per cent; three years 8⅞-9⅛ per cent; four years 9⅛-19⅝ per cent; five years 9⅜-9½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.3995	1.3944	1.3838	1.3698	1.3478

IMM—STERLING $e per £

	Close	High	Low	Prev
March	1.3895	1.4020	1.3870	1.3895
June	1.3735	1.3865	1.3720	1.3735
Sept	1.3585	1.3650	1.3530	1.3575
Dec	1.3475	1.3600	1.3540	1.3465

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.3966	1.4004	1.3915	1.3933
June	1.3813	—	—	1.3780
Sept	1.3683	—	—	1.3650

Estimated volume — (—)
Previous day's open int — (2,154)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4188	0.4186	0.4165	0.4208
June	0.4204	—	—	0.4244

Estimated volume — (—)
Previous day's open int — (227)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	84-21	84-27	83-28	85-11
June	83-20	83-27	82-26	84-08
Sept	82-22	82-29	81-29	83-10
Dec	81-28	82-00	81-03	82-15
March	81-05	81-08	80-13	81-28
June	80-16	80-16	79-28	81-01
Sept	—	—	—	—
Dec	79-14	79-14	78-30	79-30
March	79-00	79-00	78-29	78-16
June	78-20	—	—	79-04

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	92.98	93.11	92.93	93.11
June	92.99	93.11	92.93	93.13
Sept	92.87	92.90	92.80	92.98
Dec	92.67	92.70	92.62	92.78
March	92.47	92.50	92.41	92.56
June	92.27	92.28	92.19	92.35
Sept	92.09	92.09	92.04	92.16
Dec	91.92	91.91	91.89	91.99

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	92.26	92.26	92.17	92.31
June	92.18	92.19	92.14	92.28
Sept	92.01	—	—	92.11
Dec	91.79	—	—	91.87

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
March	91.93	91.99	91.81	92.00
June	91.88	91.97	91.76	91.97
Sept	91.71	91.80	91.60	91.80
Dec	91.49	91.53	91.40	91.57
March	91.28	91.29	91.17	91.33
June	91.03	91.05	90.94	91.09
Sept	90.82	90.82	90.73	90.87
Dec	90.62	90.62	90.53	90.67

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.00	1.88	1.83	—	—	0.00	0.00	—	—
90.50	1.38	1.35	1.28	—	0.00	0.02	0.09	—
91.00	0.88	0.89	0.86	—	0.00	0.08	0.19	—
91.50	0.41	0.50	0.52	—	0.03	0.17	0.35	2
92.00	0.09	0.23	0.28	10	0.21	0.40	0.61	74
92.50	0.01	0.07	0.12	—	0.63	0.74	0.96	—
93.00	0.00	0.01	0.04	—	1.12	1.18	1.37	—

Previous day's open int. Calls 3,684. Puts 3,043

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	20.22	—	20.22	—	—	0.00	—	0.26	—
1.25	—	15.22	15.22	15.22	15.22	—	0.02	0.13	0.73	1.83
1.30	10.22	10.22	10.22	10.22	10.22	0.00	0.16	0.56	1.70	3.28
1.35	5.22	5.43	5.86	6.50	7.17	0.02	0.83	1.68	3.37	5.34
1.40	1.12	2.38	3.03	3.98	4.86	0.99	2.72	3.85	5.85	8.03
1.45	0.04	0.75	1.32	2.25	3.16	4.91	6.09	7.14	9.12	11.33
1.50	0.00	0.17	0.48	1.17	1.96	9.87	10.51	11.30	13.04	15.13

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.40	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	10.00	—	—	—	—	—	—	1.45	2.80
1.35	—	5.30	—	—	7.35	—	0.80	1.60	3.10	—
1.40	0.80	2.15	—	—	4.65	1.30	2.80	—	5.45	—
1.45	—	0.55	1.15	2.00	—	—	—	—	—	—
1.50	—	—	—	0.85	—	—	—	—	—	—

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	109-08	109-15	109-01	109-14
June	109-30	—	—	110-04
Sept	110-16	—	—	110-22

Estimated volume — (—)
Previous day's open int — (7,795)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) 18 to —8 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	95-22	95-30	95-17	95-28
June	95-52	—	—	95-58

Estimated volume — (—)
Previous day's open int — (1,277)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	87.31	87.37	87.28	87.30
June	87.82	87.87	87.78	87.82
Sept	88.37	88.42	88.37	88.39
Dec	88.69	88.73	88.70	88.72
March	88.81	88.86	88.83	88.84
June	88.83	—	—	88.88

Estimated volume — (—)
Previous day's open int — (11,203)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	145.15	145.90	144.80	144.60
June	146.75	147.00	147.00	146.00

Estimated volume — (—)
Previous day's open int. — (2,193)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.88	92.01	91.82	92.08
June	91.83	92.00	91.77	92.07
Sept	91.67	91.83	91.63	91.90
Dec	91.48	91.60	91.43	91.67
March	91.23	—	—	91.44
June	91.02	—	—	91.23
Sept	90.80	—	—	91.07

Estimated volume — (—)
Previous day's open int — (20,549)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	84-13	85-12	83-28	85-20
June	83-13	83-18	82-26	84-21

Estimated volume — (—)
Previous day's open int — (3,800)

EXCHANGE CROSS RATES

Feb. 7	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.400	3.363	267.0	10.30	2.840	3.810	2283.	1.966	68.85
$	0.715	1.	2.402	190.9	7.360	2.029	2.723	1632.	1.405	49.20
DM	0.297	0.416	1.	79.41	3.063	0.845	1.133	679.0	0.585	20.48
YEN	3.745	5.242	12.59	1000.	38.58	10.64	14.27	8551.	7.362	257.9
F Fr.	0.971	1.359	3.265	259.2	10.	2.757	3.699	2217.	1.908	66.84
S Fr.	0.352	0.493	1.184	94.01	3.627	1.	1.342	803.9	0.692	24.24
H Fl.	0.262	0.367	0.883	70.08	2.703	0.746	1.	599.2	0.516	18.07
Lira	0.438	0.613	1.473	117.0	4.512	1.244	1.669	1000.	0.861	30.16
C $	0.509	0.712	1.711	135.8	5.240	1.445	1.938	1161.	1.	35.03
B Fr.	1.452	2.033	4.884	387.8	14.96	4.125	5.534	3316.	2.855	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Fears of higher rates recede

UK clearing banks base lending rate 12½ per cent since January 9

Interest rates finished little changed on the London money market last week, but this followed some very nervous and volatile trading on Monday and Tuesday. The market feared that the Bank of England had only managed to delay a rise in bank base rates during the previous few weeks, and would be overwhelmed by pressure after the Opec meeting on Monday, and extremely bad UK money supply, bank lending and currency reserve figures on Tuesday.

In the event the Opec meeting produced no surprises, and although oil prices remained soft, the market stabilised enough to hold the pound at around $1.40 and DM 3.35.

This was particularly welcome because sterling could not expect to gain any support from higher interest rates on the basis of Tuesday's economic figures.

The figures were much better than expected, showing only a modest rise in bank lending and M3 money supply of £400m and 0.25 per cent respectively, against forecasts of up to £3bn in lending and 1 per cent in M3, while currency reserves, which were expected to fall, rose by £132m.

The figures were to some extent distorted by adjustments, but none the less it was obvious they did not justify a rise in interest rates, and that the Bank of England had not been supporting the pound as heavily as feared.

Three-month interbank, which was offered at 13⅟₁₆ per cent at one time on Tuesday morning, slipped back to finish the day at 13⅟₁₆-13⅟₁₆ per cent, and was back around 12⅞ per cent on Friday. As nerves calmed the main problem for the Bank of England was finding enough bills to buy from discount houses each day, since there had been a general move to unload bills in previous weeks, when it was feared interest rates would rise, leading to a shortage of eligible paper in the market.

NEW YORK

(4 pm)

Prime rate	9½
Broker loan rate	8¾
Fed funds	7¾
Fed funds at intervention	—

Treasury Bills & Bonds

One month	6.94
Two month	7.18
Three month	7.42
Six month	7.64
One year	7.74
Two year	8.11
Three year	8.29
Four year	8.40
Five year	8.60
Seven year	8.93
10 year	9.09
30 year	9.31

BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 7	Jan. 31		Feb. 7	Jan. 31
Bills on offer	£100m	£100m	Top Accepted rate of discount	12.1132%	12.21533%
Total of applications	£557m	£576m	Average rate of discount	12.1006%	12.0967%
Total allocated	£100m	£100m	Average yield	12.48%	12.47%
Minimum accepted bid	£96.98	£96.97	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	68%	46%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb. 7	change		Feb. 7	change
LONDON			**NEW YORK**		
Base rates	12½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	12¾	+⅟₁₆	Federal funds	7¾	—¼
3mth interbank	12⅞	+⅟₁₆	3 Mth. Treasury Bills	7.44	+0.28
Treasury Bill Tender	12.1006	+0.0039	6 Mth. Treasury Bills	7.66	+0.27
Band 1 Bills	12⅝	Unch'd	3 Mth. C D	7.85	+0.10
Band 2 Bills	12⅟₁₆	Unch'd			
Band 3 Bills	12¼	Unch'd	**FRANKFURT**		
Band 4 Bills	12⅟₁₆	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	12⅛	—⅛	One Mth. Interbank	4.585	—0.25
1 Mth. Bank Bills	12⅝	—⅟₁₆	Three month	4.525	—0.075
3 Mth. Bank Bills	12¼	—⅟₁₆			
			PARIS		
TOKYO			Intervention Rate	8¾	Unch'd
One month Bills	5.96875	—0.0625	One Mth. Interbank	9	+⅟₁₆
Three month Bills	6.03125	—0.0625	Three month	9	+⅟₁₆
BRUSSELS			**MILAN**		
One month	9⅛	—⅟₁₆	One month	16⅟₁₆	+⅛
Three month	9⅟₁₆	+⅟₁₆	Three month	15⅟₁₆	+⅛
AMSTERDAM			**DUBLIN**		
One month	5¾	—⅛	One month	—	—
Three month	5¾	Unch'd	Three month	—	—

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 7)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Feb. 7	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.4-4.5	4.35-4.40	4.45-4.55	4.45-4.50	4.50-4.65	5.5
Paris	8⅞	8⅟₁₆-9⅟₁₆	8⅟₁₆-9⅟₁₆	8⅟₁₆-9⅟₁₆	9-9⅛	8¾
Zurich	⅞-1⅛	3¾-3⅞	—	3⅟₁₆-3⅟₁₆	—	—
Amsterdam	5⅟₁₆-5⅞	5⅟₁₆-5⅟₁₆	—	5⅟₁₆-5⅟₁₆	—	—
Tokyo	5.78125	5.96875	—	6.03125	—	—
Milan	16⅛-16½	16⅝-17⅛	—	15⅝-16	—	—
Brussels	6.55	9¾-9⅟₁₆	—	9¾-9⅟₁₆	—	—
Dublin	—	—	—	—	—	—

LONDON MONEY RATES

Feb. 7	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-15⅛	12⅝-12⅞	12⅟₁₆-12⅞	12¾-12⅞	12⅟₁₆-12⅟₁₆	12½-12⅝
Sterling CDs	—	—	12⅟₁₆-12⅟₁₆	12⅟₁₆-12¾	12¼-12⅝	12⅝-12⅛
Local Authority Depos	12⅝-12¾	12⅝-12¾	12¾	12¾	12⅝	12½
Local Author'y Bonds	—	—	13⅛	13⅛	13⅛	12⅝
Discount Mkt Depos.	10-12	12-12¼	12½	12½	—	—
Company Depos	11½-13	13	13	13	—	—
Finance Hse Depos	—	—	12¾	12⅟₁₆	12⅟₁₆	12⅝
Treasury Bills (Buy)	—	—	12⅜	12⅛	—	—
Bank Bills (Buy)	—	—	12⅝	12¼	12⅟₁₆	—
Fine Trade Bills (Buy)	—	—	13	12¾	12⅟₁₆	—
Dollar CDs	—	—	7.80-7.88	7.80-7.85	7.85-7.9	8.1-8.15
SDR Linked Depos	—	—	7⅟₁₆-8⅟₁₆	8⅛-8⅝	8⅛-8⅜	8-8¼
ECU Depos	—	—	10-10⅛	10¼-10⅝	9¾-9⅞	9¼-9⅝

Treasury Bills (sell): one-month 12⅜ per cent; three-months 12⅟₃₂ per cent. Bank Bills (sell): one-month 12⅜ per cent; three-months 12⅟₃₂ per cent. Treasury Bills: Average tender rate at discount 12.0967 per cent. ECGD Fixed Finance Scheme IV reference date January 8 to February 4 (inclusive): 13.077 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from February 1 1986. Bank Deposit Rates for sums at seven days' notice 6½-6¾ per cent. Certificates of Tax Deposits (series 6). Deposits £100,000 and over held under one month 12 per cent; one-three months 12¾ per cent; three-six months 12¾ per cent; six-nine months 12¾ per cent; nine-12 months 12¾ per cent. Under £100,000 11¾ per cent from January 14. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (G), WATLING STREET, LONDON EC4M 9AA, NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 12TH FEBRUARY 1986, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 11TH FEBRUARY 1986.

ISSUE OF £1,200,000,000

10 per cent TREASURY LOAN, 1993

MINIMUM TENDER PRICE £94.00 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Monday, 7th April 1986	£20.00 per cent
On Monday, 19th May 1986	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 15th APRIL AND 15th OCTOBER

[illegible]

TENDER FORM

ISSUE OF £1,200,000,000

10 per cent Treasury Loan, 1993

MINIMUM TENDER PRICE £94.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

[illegible]

Amount of the Loan tendered for	Multiple
£100-£1,000	£100
£1,000-£3,000	£500
£3,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF THE LOAN £

2. AMOUNT OF DEPOSIT (a) £

3. TENDER PRICE (b) £

February 1986

Signature of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
	POST-TOWN	COUNTY	POSTCODE

SECTION III

FINANCIAL TIMES SURVEY

Vehicle Fleet Management

Manufacturers still cannot break the discounting system, which hits their profits and has created a buyer's market. The increasing choice of models and the many incentive schemes have forced complex decisions on fleet buyers.

Intense fight over discounts

By John Griffiths

THE UK new car market began 1986 in a manner widely forecast to be the norm for the forseeable future—with dealer incentives and discounting campaigns among the major manufacturers. Competition among the commercial vehicles makers, which have still only partially emerged from the worst sales recession since the Second World War, is expected to be even fiercer.

The financial wounds from the unrelenting battle for market share already waged over the past year among the four UK-based volume car makers—Ford, Austin Rover, Vauxhall and Peugeot Talbot—will be on display as their results are published in the next few months.

Even Ford, the market leader, will be hard put to show a net profit—despite the fact that in 1985 a record 1.83m cars were sold in the UK. (In 1984, Ford made its first operating loss, of £14m, since 1971.)

The manufacturers, after more than two years of trying, remain stumped to find a way to break the vicious circle of discounting. So for the estimated 190,000 UK companies of all sizes operating cars and trucks for business, the buyer's market which prevailed throughout 1985 will be sustained during the current year.

This is particularly so because vehicle makers accord to the UK fleet sector an importance unmatched anywhere else in the Western world. In no other markets are between 40 and 60 per cent of all new cars sold specifically to business users rather than private individuals.

That there is such a wide band in the estimate of business car purchases reflects the fact that a great many vehicles are bought with company, partnership or one-man business cash, yet registered in an individual's name. But at a minimum, 700,000 of last year's new car sales went to the fleets as, inevitably, did the best purchasing terms.

Seen from the fleet's point of view, however, the picture is not a uniformly rosy one. The number and types of discounting and incentive schemes, usually lasting for no more than a couple of months and often varying from model to model within each manufacturer's range, have become extremely complex. One specialist fleet management company, for example, engaged a full-time computer operator last year whose sole job is to track discounts and bonuses on a daily basis.

The possibility of missing out on a particularly attractive "front end" deal is not the only concern. There is growing anxiety among more aware fleet operators about the potential impact on resale values, and whether these will be tipped into a slide in the next few years which could more than cancel out any initial discount advantage.

And as an increasingly large number of companies have become uncomfortably aware, depreciation is much the largest single element in a vehicle's "whole life" cost.

This point was made strongly in a report late last year from the Leaspcontract vehicle leasing group. The report observed that the resale value of two cars each bought new for £10,000, and subjected to identical wear and tear, could vary by £2,500 after three years simply through a wrong choice of model. And this kind of risk, of course, is additional to those created by the discounting.

Leasing, contract hire and fleet management specialists suggest that the past year has seen a further deepening of many fleet operators' concern with controlling their vehicle costs more effectively.

These costs initially become much more visible, and climbed higher up the league table of business overheads, as a result of sharp cutbacks on employees and other productivity improvements made at the height of the last recession. Vehicle costs rose proportionately because most job cuts took place on the shop floor, whereas the need to maintain sales and other field forces usually remained undiminished—as did the requirement for vehicles.

Since then, the preoccupation with vehicle costs has been sustained by a number of factors. These include: the growth of "user-chooser" policies—allowing employees to select different manufacturers' models within a given price band; the "discount wars," requiring more sophisticated purchasing decision; and the introduction of new accounting rules which prevent some types of vehicle leasing remaining "off-balance sheet."

The specialist leasing and fleet management companies, not unnaturally, insist that the majority of fleet operators are still unsophisticated in their approach to controlling fleet costs. And they point to several studies showing, for example, that while the majority of fleet operators claimed to run their vehicles efficiently, less than one in three could identify precisely the cost of running an individual vehicle.

Specialists in contract hire—under which a vehicle's maintenance, repair and other costs are covered by the monthly lease payment—say it is awareness among fleet operators of their own shortcomings, coupled with a growing desire for vehicles to become a fixed monthly cost, which has led to a claimed annual growth rate for the contract hire industry of 15-20 per cent a year.

Yet other surveys, notably the Company Secretary's Review, indicate that while the "awareness" of fleet operators has certainly grown—so has confidence, among larger companies at least, that improved control can be implemented effectively "in-house."

Certainly, there is scepticism even within the contract hire industry itself about the claims for growth.

Mr Roy Foster, managing director of Gelco International, the UK subsidiary of $1bn a year turnover Gelco Corporation of the US, says there is "a danger, taking purely contract hire, that the industry might believe its own propaganda." Research undertaken for Gelco during 18 months up to the end of last year indicated that in terms of actual users, contract hire growth over the period was 4 per cent.

"I'm very doubious indeed about the statistics being bandied around—I don't believe any of them. I suspect the figures are related to turnover of clients rather than real growth."

The danger for the contract hire companies themselves, he suggests is that some may think their growth is below average, and cut their rates.

"If one company sets out to increase business by 20 per cent on the basis of price, it can do so. But that means that the industry is merely increasing its market share on a price platform—that does not bode well for what is essentially an insurance business. There has got to be a margin to protect the lessor against risk."

Gelco is perhaps best known as a fleet management specialist, buying, selling and managing fleets on behalf of clients who retain ownership of their vehicles.

However, Mr Foster's remarks cannot be interpreted as the sour grapes of a rival to contract hire pitching for the same client business, because Gelco operates in both the contract hire and fleet management sectors from its Manchester headquarters.

"This manic goal of 20 per cent a year could weaken the whole industry," he observes. "And actually, contract hire's been around long enough that if there really were 20 per cent growth, then the market would be saturated."

Instead, according to the research undertaken on Gelco's behalf by one of the UK's best-

CONTINUED ON PAGE 16

CONTENTS

Vehicle Fleet Management 2

Difficult year in a buyer's market

Volume makers

JOHN GRIFFITHS

THE NEW CAR market in the UK last year defied all predictions of decline to reach a record 1.83m vehicles. Yet none of its "Big Three" competitors—Ford, Austin Rover and Vauxhall—can look back with much satisfaction.

For a start, it was another year marked by a plethora of discounting and dealers' incentive campaigns, cheap finance schemes and other market incentives which did nothing for profitability.

The previous year, Ford made its first operating loss in the UK since 1971 as a result of the price war. There is nothing to indicate that its situation improved last year (although its 1984 results saw a net profit thanks to interest on loans to its US parent) because, alone of the Big Three, it lost ground slightly in terms of both unit sales and market share.

Vauxhall, after three years of spectacular sales gains in which it almost doubled market share, saw its progress slowed dramatically. It still increased sales considerably, to 303,475 from 282,835 (the first time Vauxhall's UK sales have exceeded 300,000 in a 12-month period). But by its own standards the year was a flop—it had planned to achieve an 18 per cent market share, and possibly supplant Austin Rover in second place behind Ford.

Instead, its share edged up only slightly, to 16.56 per cent from 16.17. And Mr John Fleming, Vauxhall's chairman (who has just been named vice-president in charge of sales at General Motors' new integrated European car operations) had to admit that Vauxhall's hoped-for breakeven would be, instead, another loss.

Austin Rover, which made an operating loss of £26m in the first half, also increased sales—they rose from 308,965 to 327,955. But its share of just under 17.9 per cent left the company well short of the sales levels its needs to generate profits and fund forward investment programmes.

So once again, and particularly for the fleets, it was very much a buyer's market, but an irritating one. So complex and numerous have the various incentive schemes become, for example, that one large fleet management company has taken on a full-time staff member purely to track the daily state of the bonusing and other campaigns.

The point has been reached where not only the manufacturers would like to break the vicious circle. Fleet operators and the contract hire, leasing and fleet management companies would also like to see a return to more orderly marketing, because of the difficulties being created in forecasting resale values.

Truce

But Ford, as market leader, tried once to call a unilateral truce. It did not work, and the best that is hoped for this year is some lessening in the intensity of the campaigns.

The trouble is, in terms of models of potential interest to the fleets, the market stands to become even more competitive. In the lower-medium sector, Ford stands to receive a boost from the just-launched revised Escort and Orion models, with a new range of lean-burn engines and the option of a cheap anti-skid braking system—the first time one has been offered on cars outside the executive sector.

Last year, the Escort was the UK's best-selling car, with a market share of almost 8.6 per cent. Vauxhall's new Astra was sixth, with 4.2 per cent, while Austin Rover's "Escort-basher," the Montego, only just scraped into the top ten, with a share of 3.1 per cent compared with the 5 per cent on which Austin Rover had pinned its hopes. Neither will be anxious to yield further ground in this sector to Ford.

But, for the first time in some years, there is a potentially significant fourth player in the lower-medium stakes—Peugeot Tablot. Its Peugeot 309 model is now coming off the assembly lines at Ryton at a rate of 1,000 a day, and Peugeot Talbot is determined to prise open a niche with it in the fleets.

The French group agonised long and hard over the new model's name, and whether fleets would accept it with a French badge rather than that of Talbot. It has placed a number of cars on long-term appraisal with several large users, has received its first fleet order for 1,000 and says it now believes that business users' resistance to a non-"British" badge can be overcome.

Certainly its managing director, Mr Jeff Whalen, suggests that Peugeot Talbot should be able to double its UK market share, from the current 4 per cent, by the end of 1988.

This year, too, the first pressure may be brought to bear on the fleet sector from a new direction: Nissan. In July, Nissan's new plant at Washington, Tyne and Wear, is due to start up, assembling 24,000 Nissan Austers a year (though that may not be the model's final name for Britain).

They will count as imports, and come off Nissan's quota, but Nissan is virtually committed to going on to a second phase, manufacturing 100,000 cars a year or possibly more. Its ambition is to capture some 10 per cent of the UK market, compared with under 6 per cent currently, of which almost all sales have been to private buyers.

So Nissan too soon will be pitching hard for fleet business.

These developments alone make the prospect of a return to "orderly" market conditions in the foreseeable future remote at the best. Indeed, several senior motor industry figures have stated firmly that fleets, no less than private buyers, must adjust to current conditions as the norm.

Does Nissan have any realistic hoeps of fulfilling its ambitions? Current opinion among the leasing and fleet management companies — an important sounding board because of their large purchases of cars of clients' choice each year—is that Nissan is facing an uphill task indeed in a climate of mounting protectionist attitudes to Japan.

Delivery of Austin Rover cars. None of the UK Big Three can feel satisfied with last year's record sales.

For British makers, facing another difficult year, that provides perhaps a crumb of comfort.

Competition in the rapidly-growing diesel car sector is also expected to intensify, with the arrival during the course of this year of Austin Rover cars fitted with a new direct-injection diesel engine developed jointly with Perkins.

Austin Rover expects to be able to claim a "world first" for such a unit to be installed in cars which will include the Montego and Maestro. "Conventional" diesels are of the indirect type, where the fuel is injected into a pre-combustion chamber. The direct-injection type should be both more powerful and more economical.

It is not only in the utility sector of the fleet market, however, that competition will be stepped up. In the executive sector, Ford has already scored a substantial success with its new Granada/Scorpio model. The "old" Granada model sold 23,215 units in 1984 and had begun to die on its feet.

The new model was introduced in the second half of last year, and for the full 12 months total Granada sales climbed back up to 26,055. But what the gross figures fail to show is that by December the new models sales were running at almost exactly double the "old" Granada's sales level a year earlier.

This summer, however, Ford will have to face the challenge of Austin Rover's new 800 series models developed jointly with Honda. Sales of the "old" SD1 Rover range fell back even more sharply than the old Granada, to 11,834 last year.

But the 800 cars carry Austin Rover's main hope of a return to profitability. And the fleets' past experience of joint models with Honda, in the form of the Triumph Acclaim and Rover 213 and 216 — which have rather higher reputations for reliability than wholly Austin Rover products — could well present Ford with a much stiffer challenge from its State-owned rival than for many years past.

And to provide a further turn of the screw, it now appears that Vauxhall/Opel is likely to launch its own completely new successor to its Carlton/Senator executive range before the end of this year rather than in 1987, as had been expected.

Sales to user-choosers

AT THE Birmingham motor show in October, Jaguar Cars is expected to unveil at last its all-new successor to the XJ6 saloon which first saw a showroom back in 1969.

The *XJ40* was originally expected to be launched in 1984. But Jaguar knew it could not afford a mistake in bringing the car to market. The company, now privatised, is essentially a one-product concern—despite the recent sales successes of its coupe and cabriolet models.

So Jaguar has spent more than two years on further development and honing of the XJ40 in the knowledge that when it is launched, it must pass scrutiny against the best that its much larger and more powerful main rivals, Mercedes and BMW, can offer.

As it has turned out, Jaguar has been able to afford the extra time. Sales of its existing models continue to set records around the world, and production last year reached yet another peak, of around 40,000—far above Jaguar's nominal 24,000 vehicles a year capacity.

Provided Jaguar has indeed "got it right," the long delay is certain to provide the company with a substantial promotional bonus. Few, if any, new models in recent history have been the subject of so much speculation and anticipation for so long.

Few doubt that it will easily assume the mantle currently worn by the current saloon range, according to Monks Guide to Company Car Policy, as the car most favoured by company chairmen and other highest-level executives in the UK. This is despite the fact that Jaguar's saloon sales in the UK fell marginally last year, to 5,575 from 5,740 (although coupe and cabriolet sales jumped sharply to 2,280 from 1,590).

However, this was a reflection of the fact that Jaguar is spreading its limited output around the world to meet a demand running in excess of supply. Only as the company's plans to instal facilities to lift output to 60,000 a year by the end of the decade take effect is here likely to be a quantum increase in supplies to the UK.

Thus Jaguar's UK sales are likely to remain well below the total sales of Mercedes and BMW.

However, both its West German rivals achieve the bulk of their sales below the market sector occupied by Jaguar.

Both Mercedes and BMW have continued to benefit from increasingly widespread "user-chooser" policies, under which executives whom companies particularly wish not to see wooed away to rivals have been given relative freedom of selection of model and manufacturer. Determined efforts by both companies to protect residual values have been an influential factor in their inclusion.

For Mercedes, however, there has been an extra dimension to its sales growth, which saw an atypically sharp rise to 18,000 units last year from 14,500 in 1984.

Executive cars

JOHN GRIFFITHS

Last year, for the first time, it was relatively free of supply constraints on its smallest, Sierra-sized 190 model. Mr Hans Taucher, Mercedes Benz (UK) managing director, says the 190 has been entirely successful in meeting the company's goal of attracting a younger generation of buyer to the marque, and that the 190 was largely responsible for the steep sales increase last year.

Up until the end of last year, however, Mercedes still had a problem: having attracted younger buyers, it could offer no progression upwards except to its then nine-year-old 200-300 series models — conservative models unlikely to appeal to 190 buyers. That situation has now changed with the arrival of an entirely new range of medium-sized cars, styled very much along 190 lines.

As a result, Mr Taucher observes, there is now a "logical" progression which will prevent Mercedes being unduly dependent on any one model. He makes clear, however, that supply constraints will prevent the sharp rise of last year being repeated, instead forecasting relatively modest growth to about 19,000 units during 1986.

BMW, too, is making clear that its 30 per cent increase in sales last year, to 33,450, will not be repeated during the current 12 months. Mr Paul Layzell, managing director of BMW's wholly-owned UK importer, says a mere 1 per cent increase is in prospect—to 33,500 units—again because of production constraints. The picture will not change until a new plant at Regensburg goes into production next year.

Some industry observers in any case are questioning whether BMW has not become too dependent on sales of 3 Series cars, which currently account for 62 per cent of total BMW sales, and whether BMW's image of "exclusivity" might not be suffering as a result.

According to BMW, however, the 3 Series has not become mainly a fleet car—only 50 per cent of sales are to companies. However, it suggests that the figure can be misleading, since one-person companies and professional practices very often regard their cars as private when, in fact, they are business cars run as a company asset.

While its figures show 58 per cent of total sales being made to companies and 42 per cent to private buyers, it suggests that the true total business proportion is about two-thirds.

Other specialised executive and sporting car producers continue to enjoy mixed fortunes in the business car sector. Volvo's total sales in the UK last year progressed only marginally to 59,550. But within the total its new 700 series models saw a sharp sales leap to 12,058—from 4,380—as the Saab, however, has yet to feel the benefit of its new 9000 range, with total sales falling back last year to 8,375 from 8,835 a year earlier.

Among other specialist producers, Porsche saw its sales increase to another record of nearly 3,500 vehicles.

One of the success stories of the year, however, was provided by Renault. Its new 25 range of executive cars achieved sales of 9,995, giving the financially troubled French producer its first significant presence in the UK executive fleets sectors for many years.

The development of "user-chooser" policies has generated hopes among some younger executives that next year will see the inclusion on the list of permissible cars a new "cheap" (£11,000-£12,000) — sporting car the X100, from a British manufacturer, Lotus.

These hopes could now be in question. The acquisition by General Motors in January of 60 per cent of Lotus shares—it is seeking total control—could mean the X100 plans are in the melting pot.

At the announcement of GM's takeover, chief executive Mr Michael Kimberley said plans to bring the X100 into production next year were proceeding. However, it was also acknowledged that all the company's activities were up for review.

Vehicle Fleet Management 3

Brussels confuses the issue

EEC car prices

KENNETH GOODING

THE EUROPEAN Community country where cars have the lowest tax-free prices at the moment is no longer Belgium but Holland. At least, that is what is shown by the latest research from BEUC, the European Bureau of Consumers' Unions.

And it is still worth going to another EEC country to buy if you are not offered a reasonable discount (say 10 per cent) by a British dealer on the car you want, says the UK Consumers' Association.

The cars on which big discounts are still difficult to obtain are usually the lower-priced models from prestige producers —the Consumers' Association particularly mentions some BMW and Mercedes models.

However, it is also often difficult to find dealers on the Continent willing to supply right hand drive, UK-specification models.

The Consumers' Association is deeply suspicious about this and a number of its members have complained to the European Commission's Competition Department about refusals by BMW and Mercedes dealers in Belgium.

The so-called Block Exemption Regulation, which the Commission put into effect last October, contained a condition that there should be "full-line availability" of cars throughout the Community. In crude terms, this means that manufacturers are required to make available to dealers vehicles similar to those the dealers normally sell, but with the specification of another Community country.

In particular, it means the provision of righthand drive, UK-specification models in markets where lefthand drive cars are normally sold.

The issue is confused, however, because dealers are not obliged to accept an order. The regulation simply puts the obligation on the manufacturer to supply once the order is placed.

The Block Exemption Regulation was used by the Commission in its attempts to pull pre-tax car prices throughout the Community into line.

This followed pressure from consumer organisations which

Good discounts can still be obtained on directly imported cars but the EEC has endorsed the normal distribution system.

claimed customers were being "ripped off" by the manufacturers—a claim denied by the car makers, who pointed out that most of the European companies have been sustaining substantial losses.

The UK Consumers' Association estimates that since 1980 about 200,000 British buyers have imported their cars from other EEC countries, attracted by lower pre-tax prices.

The Commission first became involved because car manufacturers wanted to restrict sales of new cars to their own franchised dealers—a system known as selective distribution. This contravenes a general principle of free trade within the Common Market.

But the Commission has endorsed the system on the grounds that, on balance, it works to the customer's benefit since it helps to make sure that new cars have no safety defects, comply with national technical requirements and that they have somewhere to be serviced.

The Commission and the industry agreed that a "model" agreement should be worked out so that any company which followed its terms could continue with the franchised dealer system. However, the Commission's first draft regulations contained some contentious conditions which caused an uproar in the industry.

The condition which caused most commotion was one in which the Commission said that, if prices before tax were more than 12 per cent out of line between one Community country and another, a manufacturer would lose its right to selective distribution.

In practice that would have opened up the way for unofficial traders to buy cars in the lowest-cost country in the Community and sell in the highest-cost, thus undercutting the manufacturer's own dealer network.

However, the Commission significantly softened its approach. The new regulation says that it will take an 18 per cent difference to spark off an immediate reaction — and that reaction would be in the form of an inquiry by the Commission.

There will also be an inquiry if a 12 per cent difference in the price of the same car in one Common Market country and another persists for 12 months.

Excluded

As a further concession to the manufacturers, the regulation makes it clear that markets where there are major distortions in retail car prices will be excluded from the reckoning.

For example, the 18 per cent rule will not apply where cars are taxed at more than 100 per cent of the manufacturer's price. Currently that eliminates Denmark (the country with the lowest pre-tax car prices and the highest prices after tax) and Greece.

Also excluded is any market where there have been controls on prices or margins or profit for more than one year. At the moment that eliminates Belgium and Luxembourg.

These provisions upset the consumer groups because the regulation allows dealers in the "distorted" markets to charge the price quoted in the lowest-priced, undistorted market, plus a reasonable supplement to cover the extra cost of administration and technical changes.

This means it might no longer be possible for a UK customer to buy cars at Belgian pre-tax prices in Belgium, the most convenient Continental market, in future.

In other words, the regulation has not improved the position for the consumer very much. The Commission has enshrined the selective distribution system which means that there will be no substantial unofficial second channel of distribution, perhaps by companies with enough money to take cars in spec from lowest-cost Community countries to the ones where pre-tax prices are higher.

Franchised dealers must still refuse to supply new vehicles to or through a third-party organisation which acts like an unauthorised reseller. Documentary evidence that a customer is waiting for a car must be supplied by organisations acting as intermediaries.

So any third-party organisation which offers "imported" cars on spec at low prices in the UK today will either be infringeing Community rules or will have been buying lefthand drive vehicles and converting them to righthand drive in Britain.

The Consumers' Association says the car import companies can save some of the hassle involved in importing a car, but there have been some worrying cases where a few import companies have given customers a very raw deal.

Among the main complaints were: long waits after the stated delivery times; price increases after ordering the car; difficulty in getting information from the company after the order was placed; receiving cars with incorrect specifications.

The association points out that people setting up car import companies do not need any professional qualifications and yet handle huge sums of money—the 26 which took part in the survey handled an estimated £80m of customers' money each.

"We would welcome an initiative by the import companies to form a trade association to ensure high standards of business practice and to draw up a Code of Conduct, in consultation with the Office of Fair Trading, giving advice and guidance on how reputable car import companies should go about their business," the association says.

Jeremy Penn: no way cheaper than buying with cash

CASE STUDY: HAYES TUBES

Credit purchases rejected

THERE ARE some companies which prefer to avoid the use of credit or leasing when acquiring cars, and although this may be regarded by many as old-fashioned, it appears to have considerable benefits for some.

Hayes Tubes is a successful tube manufacturing company based at Stourbridge, near Birmingham, which has a total of about 25 staff and a turnover of about £3m a year.

Its joint managing director, Mr Jeremy Penn, points out that his company is one which generally operates in credit. "We are just born and bred that way, and like to be our own masters. People in the City would say we are over-liquid in the way we operate, but that is the way we like it."

Company cars are therefore bought for cash and all replaced at the same time. Maximum discounts are obtained, in the range of 15 to 17 per cent, and existing vehicles are usually disposed of privately at good prices.

Mr Penn drives a Porsche 944, which he accepts is a bit of a luxury, but claims that the cost of this is not very different from the other more standard cars in the small fleet. He points out that the depreciation on the Porsche is lower than on the others, and its running costs are not that much higher.

Monitor

The other cars are a mix of makes, and include Vauxhall Cavaliers, Astras, a Volvo and a Golf. "We are a small company and generally look after our own cars. I sign the cheques and monitor the spending in that way," Mr Penn said.

"We have an analysis of how the money is spent on cars, but this does not take up much management time. We have had a lot of approaches from companies which want us to lease cars, but they have not convinced me.

"I have not done all the comparative figures, but the seat of the pants approach tells me that if we have got the cash in the bank to buy cars, there is no way we can get them cheaper with a middleman needing to take a percentage."

Mr Penn admits that cars can be a source of friction within any company, and says that his is no exception, but any trouble in that respect is "firmly knocked on the head."

The servicing of company cars is carried out by a nearby dealer, whose prices are carefully watched. "If they get too high, we tell him. The Vauxhalls have been good cars, and we have had very little trouble with them.

"We have also made use of the General Motors extended guarantee policy, which provides good cover until we get rid of the car."

Most of the cars purchased are in the £7,000 price range and are replaced after a minimum of two years and a maximum of three, or on reaching 40,000 miles.

The argument that is often put forward by leasing concerns, that the capital used to purchase vehicles could be better employed in other ways, is also rejected by Mr Penn, on the basis that the company has not had to forgo any investment as a result of car purchases.

"We have virtually doubled our output in the past two years by investing in new equipment, and have not had much difficulty in paying for the equipment," he added.

Mr Penn admits that his company is not typical in many ways, but it is long-established, now celebrating its 50th anniversary, and has successfully managed to achieve its objectives without heavy borrowing.

LORNE BARLING

Methods of cutting the cost

Car services

JOHN GRIFFITHS

A NUMBER OF factors have come together to boost the growth prospects of the fleet management sector in its more precise sense: the external management of a client company's vehicles by specialising practitioners.

These factors include:

The growth of "user chooser" policies within companies, allowing employees to pick from a small selection of models inside a hierarchial price banding structure;

An increase in the "visibility" of the true costs of running vehicle fleets, as companies have pared down other "mainstream" parts of their businesses in pursuit of higher productivity and greater competitiveness;

The continuing proliferation of the "perk" car, allocated to valued staff as part of their remuneration package, where the choice of a usually expensive vehicle is likely to be much wider.

The sharp escalation of new car prices at the end of the 1970s which, although the trend has now reversed, focussed purchasers' minds sharply when they found themselves with exceptionally high replacement costs — a memory which lingers on.

The contract hire, leasing and fleet management sectors have not been slow to grasp what they saw as a major opportunity: seemingly endless research papers, market survey and "analysis" report have emerged in a steady stream over the past few years, turning the costs knife in the wound.

They take the theme that far too many companies are still stuck in the past—that while the fleet's size and the complexity of running it has increased, the person charged with buying, operating and disposing of it is likely to be an old-fashioned transport manager with no grasp of the complexities. Or, because cars are such an emotive subject, they are dealt with unnecessarily at board level, perhaps as an adjunct of the finance director's role.

In either case, the specialists' argument runs, the end result is likely to be inefficiency and unjustified extra cost.

And the "bottom line" of all the findings, of course, is that the specialist leasing and management companies are the only route to salvation.

More recently, the advent of a bewildering array of discounts, dealer incentives and other forms of aggressive marketing have made operating business fleets a great deal more complicated even than hitherto.

Thus, theoretically, the case for "fleet management" appears a good one. But the term has become generic, and is being used to promote services which can amount to little more than a software package offering an alternative storage system to a pile of hard-copy invoices.

Control

In short, says Mr Roy Foster, managing director of Gelco International, "the term has been corrupted—so much of what *is offered is 'after* the fact,' not as it should be, controlling costs before they are incurred."

Manchester-based Gelco, like probably its main rival in the UK, PHH, headquartered at Swindon, has its parent company in the US, from where the fleet management concept was imported.

The level of resources which Gelco—a large conglomerate with a turnover last year of more than \$1bn—has been pumping into developing the concept (more than \$1m on producing its current software alone) makes it likely that if substantial penetration of larger UK fleets is achieved, it will be led by the US concerns. Their data banks are now so large it will be difficult for the former contract hire and leasing companies now crowding into the field to catch up.

Gelco is unusual, however, in having long since had a foot in both camps, seeing contract hire as most suited to perhaps one company and fleet maagement to another.

"There is no precise formula for a user," Mr Foster says. For example, a firm of partners would want ownership, freedom of choice, and flexibility in disposal—a case for fleet management. Yet they could employ mainstream managers, whose turnover could be high. In this case, the best solution could be finance leasing.

A building company, however, *would be interested in* predictable, quantifiable costs — an ideal case for contract hire.

The process, Mr Foster says, should start out as a financial decision — what sources of funds a company wishes to use. It is, he stresses, a fundamental part of the consulting process.

Pharmaceutical companies, for example, were unlikely to want their vehicles shown on the balance sheet because of legislation relating their product prices to size of assets.

But there are myriad facets to the business. "We're continually looking at a client's fleet for signs of change," such as in the usage patterns of wage, he observes. "For more important even than residual values is to get model age and mileage relevant to the replacement cycle."

Permitted model ranges are examined closely, on the basis that price bands, if only slightly restructured, could lead to the adoption of more cost-effective models (already identified by Gelco through its data banks). Replacement cycles themselves are seen as crucial — "most companies go on age and mileage."

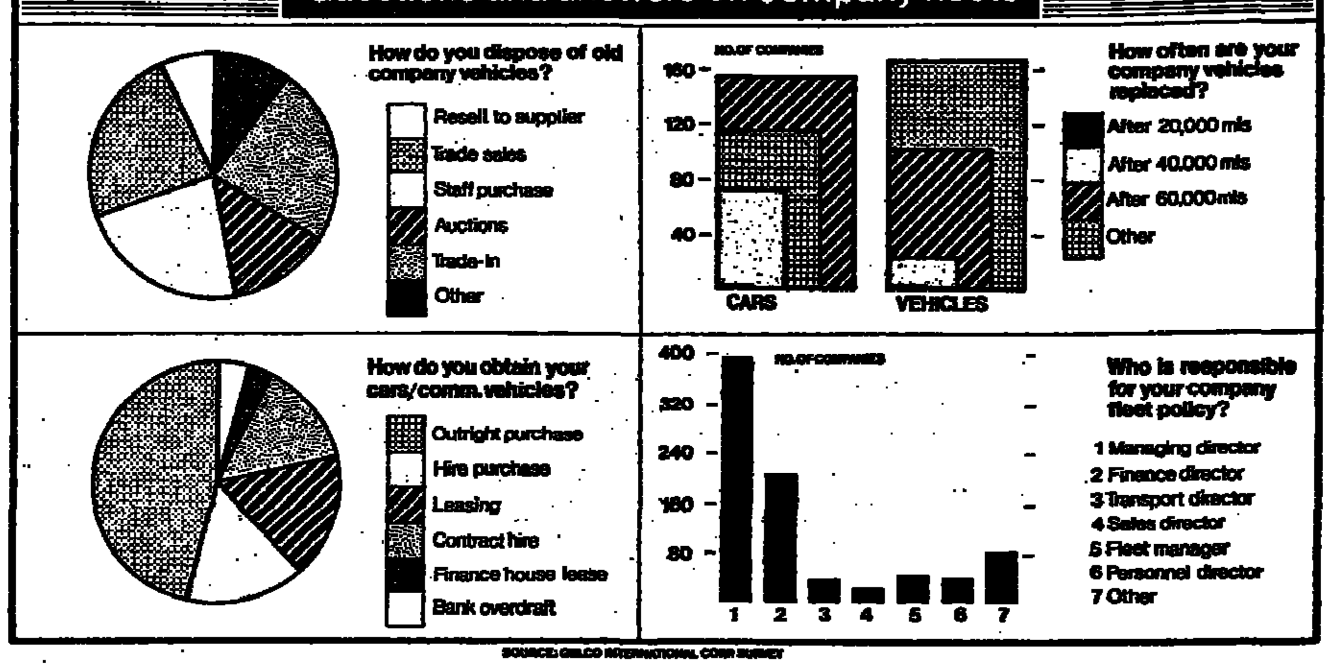
Two years and 40,000 was popular, but is no longer economic — 60,000 is more realistic. But it could well be that usage could be completely different for parts of the fleet, so it is possible that within the one company there should be different cycles.

"Only then do you sort out depreciation. Cycles should never be set in granite," Mr Foster says. Individual, unreliable cars should be taken out promptly—"but you can only do that if you've got reliable statistics being fed back to you."

Flexibility is seen as essential. He recounts one example of a company where its vehicle mileages were increasing much faster than previously, with cars reaching the replacement threshold in as little as 18 months.

There was no apparent business reason, but close monitoring suggested that some drivers were pushing up their mileages to obtain a replacement car more quickly, or in the case of basically perk cars, trying to build-up sufficient annual mileage to be assessed for tax benefit as an essential user.

Questions and answers on company fleets



Perk incentive still worthwhile

Tax benefits

GEORGE GRAHAM

THE TAX cost of a company car rose steeply in last year's Budget—by about 10 per cent in most cases. But the Chancellor has still not removed the incentive for employers to give their employees cars rather than cash.

Company cars are still tax-efficient in most cases. Although the employee is taxed on the value of the car provided by his or her employer, the value is assessed on a fixed scale which in most cases significantly understates the value of the perk. Besides the cash value of the car, running costs such as repair and service bills are all covered by the scale charge published each year by the Inland Revenue.

The Revenue assumes that a car is used for at least 2,500 miles a year of business travel when it calculates the scale charges. But when a car is used "preponderantly" for business, the scale tax charge is halved. For this, business use must be more than 18,000 miles a year.

If the employee travels less than 2,500 miles a year on genuine business trips—and this does not include travelling to and from work—then the perk will be taxed at one and a half times the scale charge on an ordinary business car. If more than one car is provided to an employee, only the first can be treated as a business car.

The scale charge covers all expenses relating to the car, except petrol.

Fuel provided to an employee is treated as a taxable benefit on a fixed scale similar to that covering the car itself. If any petrol allowance at all is made, the employee is taxed on the full amount of the benefit assessed for that size of car, even if the allowance is less than the tax that would then arise.

The rules governing both cars and petrol relate only to directors and "higher-paid employees," but the definition of "higher paid" has remained static for so long at £8,500 a year that few employees who are given a company car now fall outside the net.

Those who do should watch the dividing line closely. Accountants Touche Ross give the example of an employee who receives a salary of £7,800 a year and a 1300 cc car in which he does no business mileage. This would be charged as a benefit worth £675 a year, but because the total emoluments, including the car, total only £8,475 the car is not treated as a taxable benefit.

If his salary is increased in March this year by as little as £100, he will receive only an extra £8.33 in the current tax year, but he will be treated as higher paid. His tax bill will then climb by £200 because the car becomes a taxable benefit.

However, an employee earning less than £8,500 a year may still be taxed on a company car if the Inland Revenue decides it is a benefit that can be converted into cash—if, for example, the employee can claim a higher salary by giving up the car.

The average motorist driving a 1600cc car now pays about £3.03 a week in tax on the perk—double, if he receives petrol. From April the higher scales of benefit will raise his tax bill to about £3.82 a week.

The Chancellor in fact may have increased the company car's attraction in last year's Budget by abolishing the upper earnings limit on employers' National Insurance contributions. This has led to hefty additional costs for employers with highly-paid workforces, but the burden can be reduced in some measure by giving employees benefits in kind instead of cash.

These benefits are not liable to either employer's or employees' National Insurance contributions. The saving to the employer can therefore be considerable, even if the employee is still taxed on the car or other benefits received.

Tax scale changes for cars and fuel

1985-86	Cars under 4 years old £	Cars over 4 years old £	Fuel £
Cars costing up to £17,500			
Up to 1300 cc	410	275	410
1301-1800 cc	525	350	525
Over 1800 cc	825	550	825
Cars costing £17,500-£26,500	1,200	800	825
Cars costing over £26,500	1,900	1,270	825
1986-87			
Cars costing up to £19,250			
Up to 1300 cc	450	300	450
1301-1800 cc	575	380	575
Over 1800 cc	900	600	900
Cars costing £19,250-£29,000	1,320	875	900
Cars costing over £29,000	2,100	1,400	900

Source: Inland Revenue

PROFILE: PEAT MARWICK

Keeping down administration

THE LEADING accountancy partnership Peat, Marwick, Mitchell should be highly efficient in the way it provides cars for its staff, given the degree of expertise it has under its own roof.

Perhaps even more relevant is the fact that Peat Marwick is retained as accountants by 12 of Britain's top 20 contract hire companies, and has built up a formidable degree of expertise in this area.

Like every other company, Peat Marwick has a special set of circumstances which were taken into account when a method of providing staff cars was decided.

It was only eight years ago that partners and staff were provided with cars by the partnership. The partners were reluctant to raise large sums of money to use for purchasing a depreciating asset, according to Mr David Murrell, the partner responsible for UK cars.

For that reason leasing was examined and the partnership *now has 1,100 cars, of which 90* per cent are on contract hire from 12 different leasing companies.

However, what makes Peat Marwick unusual in this kind of operation is that the in-house administration cost of providing these vehicles is less than 1 per cent of the total outgoings on vehicles.

This system has been devised and developed over a number of years, and the work consists mainly of one hour per day of administering partner's time and three hours per day spent by assistants in processing the paperwork involved.

Most of the other time spent on the administration of the scheme is incurred by the lessors, who deal with the majority of the matters which arise, according to Mr Murrell. He added that the leasing and contract hire companies had in recent years offered to undertake more of the work involved.

"When the time comes that a partner or member of staff is entitled to a new car, he automatically gets a set of instructions telling him or her what to do. There is a provision for everyone to go 20 per cent above their price limit and have the balance deducted from salary," he said.

An index-linked scale had been worked out for each grade of salary, and this was updated weekly within the partnership, ensuring that the amount paid for cars kept up with the rate of inflation.

Mr Murrell says that each persons entitled to a car is given a list of leasing companies and quotations updated monthly and can choose which car and leasing company he or she prefers. "I sign the order, forms, and that is my total involvement with the transaction," he added.

The system was designed by *Peat Marwick to cut down* administrative costs, and has been used as an example for advice to other companies. "We advise about 200 companies in the UK on their car policies, and in many cases their requirements are quite unlike our own."

Taxation was not generally an issue when considering the choice between the purchase or leasing of vehicles, and what really mattered was a company's access to capital, the discounts it could achieve and the cost of maintenance.

"If a company has the money to buy its vehicles at a good price, and the ability to have them serviced and maintained cheaply in house, then outright purchase can be attractive. In other circumstances, it is worth looking at leasing or contract hire."

David Murrell: provision for everyone to go 20 per cent over their price limit

Peat Marwick regards it as important to keep staff fully informed about all matters relating to their cars, and publishes a quarterly bulletin for all drivers.

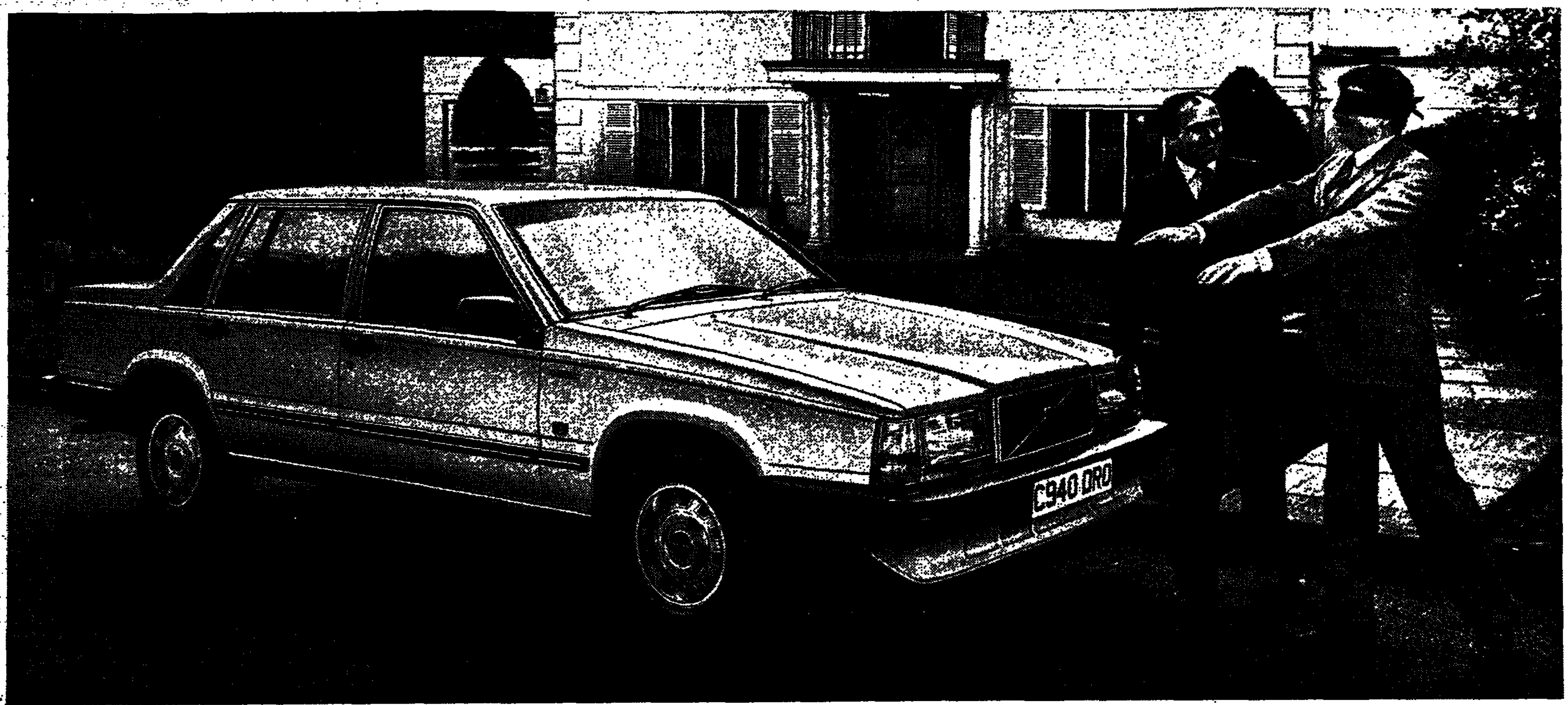
This gives details of the monthly allowances payable by the firm to various grades of managers for the leasing of vehicles, and brings them up to date on certain requirements.

For example, they are reminded that they are personally liable to ensure that tyre replacements are purchased through traders who are approved by the relevant lessors; that cars are filled with anti-freeze during cold weather, and how insurance claims should be made.

Peat Marwick offers staff a very wide range of car choices, and does not pursue a buy-British policy, pointing out that some of its larger clients are foreign car importers, who would immediately argue against such discrimination.

LORNE BARLING

IF YOU COULD TEST-DRIVE IT BLINDFOLD, WOULD YOU GUESS WHAT CAR IT WAS?



We wouldn't recommend this experiment for real, but it's an interesting hypothesis nevertheless.

Imagine it.

The salesman guides you into the driver's seat. It feels reassuringly firm, yet so comfortable it could have been made specially for you.

(In fact, it has an adjustable lumbar support and a 16-position height and rake adjustment.)

The door closes with an effortless clunk.

"IT'S A MERCEDES."

Good guess, but the wrong one.

Somehow, you can sense the spaciousness inside the car.

Your hands fall naturally onto the steering wheel, and your feet onto the pedals.

You switch on the ignition.

The engine fires instantaneously, dying to a barely audible purr.

"A DAIMLER, PERHAPS?"

Perhaps, yes. But actually, no.

As you pull away from the kerb (don't worry, the salesman gives you directions) you notice the lightness and precision of the power steering.

You accelerate briskly through the gears, enjoying the smooth power of the engine.

This car is no slouch.

"IT'S ONE OF THOSE BIG BMW'S."

No it isn't.

The salesman, feeling rather pleased with himself, helps you with a few clues.

He tells you about the car's welded box-steel construction, and the 9 coats of paint and primer that protect the bodywork.

He mentions the 13-outlet heating and ventilation system, the 17.2 cubic foot boot, the central locking.

You can feel the power-assisted brakes for yourself.

"A JAGUAR?"

Wrong again.

Against your better judgement, you start to lower your sights a bit. You did, after all, mention a price limit of £11,000.

But what car of that sort of price could give you this sort of ride?

Unable to contain your curiosity any longer, you pull into the kerb and pull off the blindfold.

"A VOLVO! I KNEW I COULDN'T AFFORD IT."

Yes, it's a Volvo. The 740 GL, to be precise. And yes, you can afford it.

Amazingly, the car you thought could have been a Mercedes costs only £10,271.

You turn to the salesman sitting beside you.

In one hand, he has an order form for a brand new Volvo 740GL. In the other, a pen.

Despite his presumptuousness, you sign.

To: Volvo, Springfield House, Princess Street, Bristol BS3 4EF.
For a brochure, phone (0272) 217082 or post the coupon.
74/58-05-F-07.
Mr/Mrs/Miss________
Address________
________ Postcode________

THE 1986 VOLVO 740. FROM £10,271.

THE 1986 VOLVO 740 RANGE STARTS AT £10,271. 2.3 LITRE ENGINE, CARBURETTOR AND INJECTED VERSIONS AVAILABLE. PRICES INCLUDE CAR TAX AND VAT (DELIVERY AND NUMBER PLATES EXTRA). CORRECT AT TIME OF GOING TO PRESS. CUSTOMER INFORMATION TEL: IPSWICH (0473) 715131.

Vehicle Fleet Management 6

Increase in contract hire

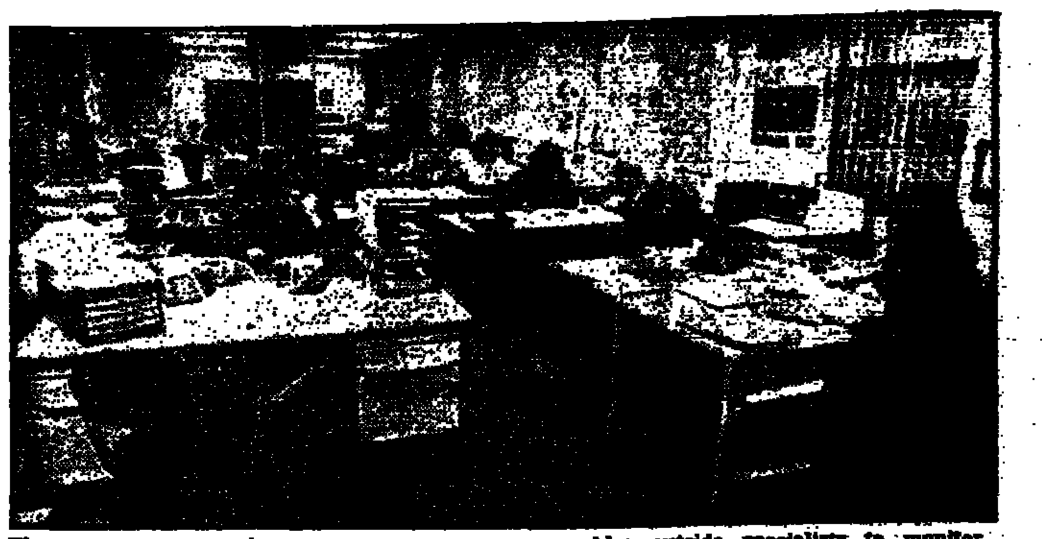
Financial options

ALASTAIR GUILD

THE BENEFITS of one method of financing the company fleet over another depend on the circumstances of the company using the car. However, according to Monks Guide to Company Car Policy, contract hire is growing in popularity. "This is largely because companies using external finance leasing and lease purchase have wished to avoid the maintenance cost and residual value risks."

Despite the increase in the use of contract hire facilities, however, outright purchase remains the most common method of acquisition. The results of a survey of 101 companies published in the latest issue of the guide show that 11 per cent used contract hire, 15 per cent leased, while 63 per cent purchased their vehicles outright.

Eleven per cent chose a mixture of methods. The fleets used by the 101 companies totalled 48,000 cars. Of these 15 per cent were covered by contract hire arrangements, 9 per cent were leased and 76 per cent were acquired by outright purchase.



Fleet management, using computer programmes, enables outside specialists to monitor company fleets very closely.

Flexible

According to Mr Norman Donkin, managing director of Lease Plan UK and one of the guide's authors, *outright purchase* can bring benefits of cost and flexibility. However, it creates an immediate call on cash resources or on bank facilities, resources which may be better devoted to business expansion or cyclical business activity. A detailed investment appraisal would establish whether the cost of outright purchase would be lower than that of *external finance*.

The company that buys outright can choose the car, the supplier and the time and method of disposal. The major disadvantages are that, as already mentioned, cash resources are tied up in rapidly depreciating non-earning assets and the company has to administer the fleet. Effective cost control is difficult to achieve and precise fleet operating expenditure may not be easy to determine.

"*Balloon*" leases are the most popular type of finance lease for cars. Reduced rentals are paid during the lease period, followed at the end by a "balloon rental" equivalent to the anticipated resale price of the car. However, as with outright purchase, the administrative burden rests with the lessee who is responsible for locating and ordering the car and negotiating the discount. The lessee also arranges and pays for insurance, licence, maintenance, repairs and other running costs.

As with ownership, also, the *risk of depreciation* rests with the lessee. The lessee retains a substantial percentage of the sale proceeds as a rebate of rental, but if the sale proceeds are less than the "balloon rental," the lessee will have to make up the difference.

An *open-ended* lease permits the lessee to extend the lease and to continue paying the final "balloon rental." This enables the lessee to choose the optimum time to dispose of the car.

Lease purchase, like a lease, gives the equipment user possession and use of the asset on payment of instalments over a period, while legal title remains with the leasing company. At the end of the period, however, the lessee has the option to purchase the car for a nominal sum.

One of the principal differences between finance and operating leases is that at the end of the lease, the risk of depreciation under an operating lease, or contract hire, lies with the lessor, or contract hire company. Contract hire rentals reflect this additional risk taking.

There are two principal *forms of contract hire*:

Under vehicle contract hire, the vehicle is supplied with road fund tax and a provision for tyres plus replacement vehicles in the event of a breakdown.

At the end of the agreement, the lessee returns the car, which is then sold, the lessee having no additional charges to pay or risks to bear. The contract hire company expects the vehicle user, in return, to abide by rules of car service, use, cumulative mileage and condition of the car on the termination of the contract.

Under contract hire with full maintenance, the contract hire company provides the car, maintains it through a mutually convenient garage, provides road fund tax, replacement tyres as needed, and a replacement vehicle in case of breakdown. Other services now generally provided also include AA or RAC membership and a fuel credit card.

Fleet users' drivers using the card can obtain fuel at any specified garage, and the fleet user can then receive management reports showing, for example, fuel consumption by fleet or by individual vehicle, and "exception reporting" of vehicles where mpg is at variance with the average.

Precise

Contract hire relieves the vehicle user of the entire administrative burden and the cost of providing each car can be precisely budgeted in advance. The fixed monthly all-inclusive rental is calculated on the basis of the annual mileage anticipated by the vehicle user and the hire period. It may only be increased due to circumstances outside the contract hire company's control, for example increases in the cost of vehicle licences or insurance premiums.

The major disadvantage of contract hire, according to Monks Guide, is that the vehicle user does not know how the monthly rental is calculated. "Details of the discount on the vehicle, the running costs and proceeds of sale, the interest rate, the overheads and the profit on the transaction are known only to the contract hire company. If the vehicle user has a trouble-free car, it may be paying a high price for a fixed pre-determined cost."

Fleet management is, in a sense, a cross between outright ownership and contract hire. Ownership rests with the company using the car, while a specialist fleet management company provides many of the sort of services offered by contract hire companies, intended to maximise the benefits and minimise the risks.

However, the services of a fleet management company are unlikely to entirely replace the in-house fleet administrator, who still has to be ready to act on the different forms of vehicle records and fleet cost analyses compiled using the facilities and computer programs of the fleet management companies.

But they will reduce the clerical and administrative overheads of a company fleet. Fees charged for the services are usually based on a "per car per annum" basis, and additional charges made for each of the separate services provided. These extra costs may be either a fixed fee per vehicle or a percentage of the invoice which the fleet management company pays on behalf of the client.

A single monthly invoice covers all services purchased on behalf of the client plus the fleet management fees. Irrespective of fleet size, an arrangement to contract out all or part of the vehicle management will provide cost advantages.

Monks Guide to Company Car Policy, Monks Publications, Saffron Walden, Essex. Tel: 0371 830939.

Low in the list of priorities

Residual values

JOHN GRIFFITHS

IN ITS latest Company Car Cost Calculator, purporting to give the true total cost of ownership for 150 of the UK's most purchased cars, leasing group Leasecontracts emphasises that two models from different manufacturers — each costing £10,000 new and undergoing similar wear and tear—can have resale values varying by as much as £2,500 after three years.

Resale values still appear surprisingly far down the list of many companies' priorities when it comes to choosing cars —behind spare parts availability, for example, according to statistics compiled for the Gelco fleet management group. But as the specialist leasing and contract hire sector is uncomfortably aware, they are the biggest single factor in whole life costs—and getting them badly wrong is a good recipe for eventual bankruptcy.

However, during the past two years in particular choosing the right models has become a substantially lesser problem, in terms of minimising depreciation costs rather than coping with the discount, dealer incentives and cheap financing schemes of the new car market.

Fleet management and leasing companies point out that these are having a severe impact on one-year-old cars and they are becoming worried about the prospects for residuals in two to three years' time. Despite predictions of a new car sales decline last year, the market reached a record 1.83m units while the fleet car market al/. remained buoyant. There is already an abnormally high number of high-mileage used cars on the market and strong new car sales last year make even more inevitable.

A popular belief has run parallel with the "price wars": that a discount obtained on a car bought new will be offset by a lower residual value, so that for the user there is no net gain.

And in that case, the argument goes, the manufacturers have been cutting their prices to the bone, and in many cases watching their profitability disappear, to no real benefit.

But does the belief withstand thorough examination?

Prof Garel Rhys, the motor industry expert who is adviser to the Commons Select Com*mittee on trade and industry*, suggests that it does not.

In a highly - competitive market it is a possibility, he points out. "But it is much too simplistic to say that lower initial prices necessarily cause lower secondhand prices at a later date. Even if they did, there is no certainty that the new vehicle buyer necessarily would lose by the transaction."

Equity

To illustrate the latter point, he makes the supposition that both new and secondhand car prices fall by 20 per cent. Before the fall, a car bought new for £5,000 would be resold after two years for £3,000. After the fall, the new car cost £4,000 *and would be sold for £2,400.*

In the first instance the buyer's equity in the car falls by £2,000, but in the second by only £1,600. So discounting has affected the residual value, but the new car buyer is still £400 better off.

If zero inflation was assumed, the new car buyer would have to find only £1,600 for a replacement vehicle post the price fall, rather than the £2,000 that would have been necessary before it.

So only if the proportional fall in secondhand prices was greater than that for new cars would the buyer suffer—or if the discounting increased between the new car being bought and sold.

As for the lower price-lower *residual link* being too simplistic, he observes that "although the car makers try to exercise some control over the prices they set, by and large their pricing is determined by supply and demand." Hence the price new will reflect supply and demand conditions today, *while the second*hand price will reflect supply and demand conditions when the car is sold, say in two years' time.

It was thus unlikely that prices two years on would be a simple function of those in the year of initial purchase.

"Of course, because of long-term discounting, people may think that the low price of secondhand cars is the result of low prices existing when they were bought new—that is, they may believe there is some fixed relationship between the buying price and residual value."

"In fact, the price in the selling year will reflect the prices of new cars that year. If these have remained depressed then, of course, the secondhand price will be low as well."

There is a danger though, he stresses, that if new car buyers slavishly follow a set depreciation pattern based on the initial discounted price, then they would themselves generate a link between the initial discounted price and residual value. *This would serve to* "institutionalise" the discounted price, even if the secondhand market had strengthened for a variety of reasons.

In that sense, there was a danger in using secondhand price "guides" to a variety of into the future.

There are plenty of other wrinkles affecting values: As Prof Rhys points out, if price *cuts ("discounts")* boost the new car market by attracting private buyers who otherwise would have bought secondhand, the fall in secondhand prices, as demand fell, could be proportionately greater than for new car prices.

The used car market, he *suggests*, is in any case subject to downward pressure by the sheer size of the (unique to Britain) company car market. His own estimate is that it accounts for at least 50 per cent of the total, and maybe as high as 70.

His reasoning is that since the company car sector is biased *towards larger cars than typically* sought by private buyers, those buyers will only offer prices which provide some compensation for the cars' relatively high running costs.

Intense

What is certain, Prof. Rhys *suggests*, is that the current intense price competition among manufacturers is going to be long-term—and that fleet users must get used to a continuing volatile market.

Contract hire could be the answer to minimising the risks, he observes. "However, if discounting is correctly anticipated it will not affect residual values in such a way as to affect net cash flow.

"In *discussing discounting* and residual values, company car buyers must insure that *myth* does not become reality."

In practical terms, however, Tony Swainston, managing contract hire companies are already undertaking financial commitments based upon residual values which are unrealistically high—"some of them will not survive as a consequence."

He insists that a *downward* trend can be observed which is not just a reflection of seasonal or short-term trends, using figures from the two main residual values guides, Glass's and CAP.

Sample values compared

CAP/Glass's *Guide Average* % of original retail price for a two-year-old vehicle sold in:

	Jan 1984	Jan 1985	Jan 1986
Sierra 1.6L 5-door	49	46	45
Cavalier 1.6L 5-door	53	49	46
Escort 1.3L 4-door	54	53	50

Outstanding entries to the market

Latest cars

STEWART MARSHALL

FOR THE business motorist, there has not been a year like it for a long time, especially for those who drive cars at the top end of the market.

Highlights in the past 12 months have included:

● Replacement of the Ford Granada saloon by a completely restyled hatchback range with ABS (anti-lock) brakes fitted as standard;

● Introduction of two outstanding front-wheel drive luxury cars for senior management by Lancia and Saab;

● Replacement of the medium-sized Mercedes-Benz saloons by new models with petrol or diesel engines of between 2-litres and 3-litres capacity;

● Increasing availability of permanently-engaged four-wheel drive in cars costing between £12,000 and £25,000;

● Introduction of the Peugeot 309 hatchback and the Vauxhall Belmont saloon to add to the competition at the lower end of the fleet market.

The Ford Granada looks uncomfortably like a Sierra from the front and a cross between a Rover 3500 and a Mercedes-Benz W124 from the back but it is fine for the fleet user who must have a large car with a roomy interior. It is so spacious inside and it is so easy to load bulky items through the wide hatchback that Ford felt able to drop the Granada estate car altogether.

Specifying ABS brakes as standard throughout the range was a bold move — in most other executive cars they tend to be costly extras. The Granadas ride and handle even better than their popular predecessors. The 2-litre engine is a newer design than the 2.8-litre V6 used at present for the costlier models.

Revised V6 engines were shown last autumn in Germany, where the Granada range has been made for some years, and their use will bring performance and refinement benefits.

Like Mercedes-Benz and BMW, Ford prefers a front engine, rear drive layout with all-independent suspension, for its larger cars at any rate. Aware of the safety advantages of four-wheel drive, Ford offers a system on both Sierra (the XR4x4i) and Granada that splits the power one-third to the front wheels, two-thirds to the rear. This gives them the same kind of handling as with rear-wheel drive but far more traction in wet weather. A driver would have to be unusually inept to get a four-wheel driven, ABS-braked Ford into trouble.

The new Saab 9000 and the Lancia Thema started their development as fairly close relatives but grew apart as production neared. They have the same floorplan and front-wheel drive layout and are generally similar in appearance but after that the differences become more obvious.

The Saab 9000 is currently offered only as a very high performance (close to 140 mph maximum) luxury car with a 16-valve, turbo-charged 2-litle, 4-cylinder engine. No car has a better driving position or more ergonomic controls but the price (£15,995) is high. A new version of the 9000 will meet this criticism soon.

Refined

Lancia's Thema is a three-box saloon with an £11,000 to £15,000 price span. Like the Saab, it is a full five-seater with ample luggage space that is muscular but refined on the road. Unlike the Saab, it is offered with automatic transmission, though only on the V6-engined model. Later this year another car superficially similar to the Saab 9000 and Lancia Thema will arrive in Britain. This is the Fiat Croma, which wil compete with the Audi 100 and Vauxhall Cavalier as well as Renault's forthcoming 21.

Mercedes-Benz still sets the pan-European standard against which many executive cars are judged and the new W124 saloons are worthy successors of the 2-litre to 3-litre W123 models which were the best-selling cars ever to bear the three-pointed star. The W124 cars closely resemble the smaller 190 saloon mechanically, with a complicated five-link independent rear suspension that gives great security at the expense of occasional restlessness that rear passengers will notice more than the driver.

It is fair to say that the new Mercedes-Benz saloons are short on character. They are, however, fast (up to nearly 140 mph for the 300E), feel rock solid on the road, quiet and refined at whatever speed you drive them and convey the impression that they will last forever. For this, one feels, it is worth putting up with hard seats and some tyre rumble on coarsely-textured road surfaces. Prices are high (from £12,500 to £17,890, with costly optional extras) but so will be the resale values.

Lower down the market, the main event in the past year has been the launch of the Peugeot 309 (after long agonising whether or not to call it a Talbot) and the Vauxhall Belmont. The Peugeot 309, the first of the marque to be assembled in Britain with a high UK content, is in effect a stretched version of the very successful 205.

It looks like a saloon, though is really a hatchback, with the tailgate incorporating a curved rear window and a vestigial boot lid. The suspension is softly shock absorbent, especially on the cheapest models, and the ride unusually comfortable in the French manner, as are the seats.

The Peugeot 309 will compete with cars like the Vauxhall Astra and the Ford Escort—the latter soon to be substantially face-lifted—whereas the Belmont's target is the Ford Orion and, to a lesser extent, Austin-Rover Group's Montego and Rover 213/216 models. The Belmont is a three-box saloon derived from the Astra hatchback and is offered with the same range of engine and transmission options.

As is so often the case, the cheapest one (the £6,210 1300L) is the nicest because smallish, moderately-priced cars stressed to take 1.8-litre fuel-injected engines feel remarkably refined and working within their capabilities when fitted with smaller, less-powerful engines.

In character, the Belmont is as typical a German car as the Peugeot is French—the source from which it sprang is the Opel Kadet. The suspension in the more powerful models is decidedly on the firm side.

One of the most keenly-priced executive cars in the past year has been the BMW 1.8i which at £9,280 retail, which includes power steering, is competitive on cost with far less charismatic cars. BMW GB makes no secret of that fact that the model was pitched to appeal to the fleet manager looking for a saloon that would satisfy status-minded company car drivers without incurring the finance director's wrath.

Direction

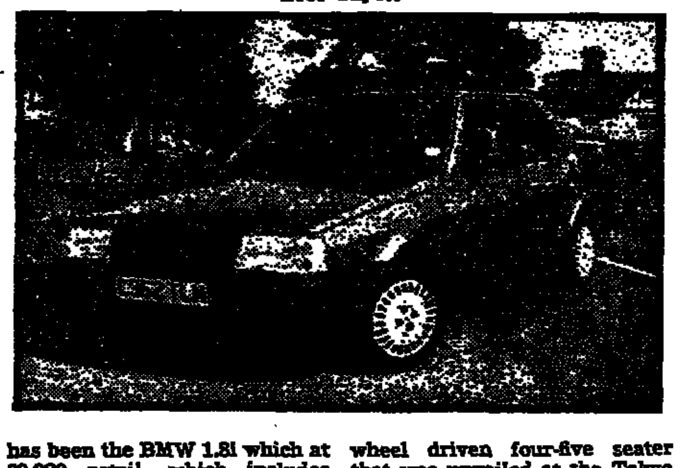
Volvo moved in an interesting direction when launching the long-awaited estate car version of the 760. The most prestigious 760 estate is not the V6 but the four-cylinder 2.3-litre turbo-charged version. Fully loaded with every possible option, including air conditioning, it retails at £17,499, as does its saloon equivalent. Volvo is comparing it with luxury saloons, not with rival estates. It is no bigger than the Volvo 240 estates but better looking and smoother riding.

The next few months promise to be thought-provoking to a fleet manager who has to buy British but is being urged by those who drive the cars he buys to give a wider choice. Nissan's Washington plant in north-east England will soon be producing the Auster, a front-wheel driven four-five seater that was unveiled at the Tokyo Motor Show last November.

This car looks unexciting but the specification suggests it could affect Vauxhall's dominance of the front-drive, medium-sized sector with the Cavalier, still an excellent car but in need of a facelift.

By mid-summer, the BL ARG and Honda joint project, the Rover 800 could be making its first impact on a sector dominated by such quality imports as BMW and Mercedes-Benz. No one outside ARG has driven it yet but if it is even better than the latest 2-litre Honda Accord—as it should be—it will bring joy to fleet managers who have been seeking a British luxury saloon a little down market of a Jaguar.

If the new, lighter Jaguar saloon, now expected to make its debut at the Birmingham show in October, has only the same ride quality and silkiness as the ageing XJ6, plus better fuel economy, more interior space and a bigger boot, it will be bad news for the importers. Jaguars, spectacularly improved in quality in the past two or three years, can only realistically be compared with Rolls-Royce or Bentley for sheer urbanity.



Above: Ford's new Granada Scorpio has anti-lock brakes. Below: the Fiat Regata 1.8 diesel, also aimed at the fleet buyer.

Steady increase in UK registrations

Diesels

STEWART MARSHALL

THE UK DIESEL car market maintained its steady growth during 1985. This year, the trend is set to continue, though Britain has a long way to go before it matches mainland European countries like Italy, France, Germany, Belgium and Holland in diesel car penetration.

Total 1985 registrations in the UK were almost 62,600, representing about 3.5 per cent of a record total of 1,832,408 though in some months diesel penetration went over 4 per cent—it did last November, when the figure was 4.1 per cent.

This was very small beer by comparison with Italy, Germany and France where diesel penetration in 1984 (the last year for which complete figures are available) was 26.3 per cent, 12.57 per cent and 13.76 per cent respectively.

But as recently as 1980, the diesel car was still not much more than a novelty in Britain, with only 5,830 registrations. From this low base the increase has been fairly spectacular to 9,735 in 1981, 14,530 (1982), 24,485 (1983) and 45,380 in 1984. After last year's 62,600 registrations, a total of 80,000-plus is a reasonable forecast for 1986.

There is no obvious reason for the relatively low number of diesel-powered cars in Britain but there are several contributory factors. The fuel is not spectacularly cheaper than petrol—often, the retail price of diesel is about the same as four-star petrol despite the 13p lower duty on diesel. The price war at the pumps caused by the glut of petrol depresses the price.

In Italy, on the other hand, diesel is not much more than one-third the price of petrol, though there is a much higher annual tax on a diesel car. That means it has to be driven for about 20,000 kms before the overall economics are superior to a petrol car's.

In Britain, the large car user is cushioned from the harsh economic realities because in most cases, his fuel bills are met by the company. He has much less incentive to dieselise than his continental counterpart.

But the picture is changing. Fleet managers who have grasped the nettle and gone diesel have found that, apart from the obvious fuel economies brought about by the diesel car's 25 per cent lower consumption, maintenance costs have been sharply reduced. As a bonus, diesel cars can be replaced every four years instead of the usual three; their utilisation is higher because of greater reliability; and their higher residual value goes some way of offsetting the higher initial price.

The greatest single step in the emerging dieselisation of company fleets in Britain was Ford's decision to go nap on the diesel after several years of hesitation: its 1.6 litre engine has made a great impact on the diesel car market.

In the first year that diesel Fiestas, Escorts and Orions were available (1984), 10,000 were registered in Britain which was more than total diesel car sales only three years earlier. That figure reflected six months sales; in 1985, the first full year, Ford achieved 18,725 registrations of 1.6 litre diesels, or one-third of the entire market.

Most of the growth of the diesel market in Britain has been at the lower end. The Society of Motor Manufacturers and Traders estimates that only 25 per cent of the market in the UK is for diesel cars of more than 1.8 litres cylinder capacity. This is the reverse of the situation in Europe where it is the large car user who has most enthusiastically espoused the diesel in a bid to reduce running costs.

Ford has also done well in the larger-engined sector. In 1984 it sold 6,870 Sierra hatchbacks and estates powered by a bought-in 2.3 litre Peugeot engine. Sales of these models declined slightly last year to 6,280 units while those of the small cars rose 80 per cent. In 1985, 10.2 per cent of all Orions and 5 per cent of all Escorts bought were diesel-powered.

The growth in small diesels is confirmed by Peugeot, second in importance to Ford as a diesel car seller in Britain. In 1984 it sold 5,200 over 1.8 litre diesel cars (mainly 305 and 505) against 3,955 units of the recently introduced 205. Last year, the situation was reversed, with 9,455 under 1.8 litre cars (mainly 205) outselling the 4,500 over 1.8 litre models by more than two to one.

Volkswagen, which pioneered the small diesel car by introducing a Golf powered by a dieselised version of the 1.6 litre petrol engine nearly ten years ago, has seen its share of the growing market steadily slip back.

After some years of having had the small diesel car market almost to itself, VW sold only 2,695 Golf, Jetta, Passat and Audi 80 models with the 1.6 litre engine in 1984 and 2,895 units last year, an increase of less than 10 per cent at a time when the market rose by three times that amount. VW's 1.6 litre engine has lost its technological edge; a 1.8 litre version is in prospect.

Meanwhile, VW has resorted to turbocharging to bring the 1.6 litre's power up to meet demands for livelier performance in the mid-sized car sector. Vauxhall has a similar problem: its 1.6 litre diesel is fine in the Astra but lacks muscle when installed in the Cavalier.

Sales of Audi 5-cylinder, 2-litre diesels actually declined in 1985 when 255 units were sold against 267 the year before. Ford's diesel Granada (with a bought-in 2.1 Peugeot engine) had been withdrawn in 1985 but the introduction this April of a 2.5 diesel (again, a Peugeot engine) version of the new Granada will help boost sales in the over 1.8 litre class.

Potentially the biggest lift to over 1.8 litre sales will come from the introduction of BL Austin-Rover's long-awaited 2-litre direct-injection engine later this year. Initially, it will be fitted in the Maestro van only but by the end of this year or early next diesel-engined Montego saloons will be offered to fleet and private buyers.

Industry opinion is that while oil prices are depressed by over-supply, the large diesel car is unlikely to make significant gains in Britain. But the percentage of under 1.8 diesel cars and vans will steadily rise. This will be a consequence of their lower maintenance costs, greater reliability and higher residual values as much as reduced fuel consumption.

Specialist packages help the in-house manager

Computer software

ALASTAIR GUILD

THE IMPONDERABLES of managing a fleet of vehicles have often been a source of irritation and anxiety for small and large companies alike, encouraging them to contract out the work to a specialist fleet management company. But an increasingly comprehensive range of computer systems is now available to simplify the task of managing a fleet in-house.

Some systems are designed, in their standard form, just to help with fleet management. Others can be integrated with existing accounting and general management functions. Some are meant as single-user systems. Others can be accessed via a number of terminals by personnel throughout the company.

The range of hardware specified for software packages also varies considerably, with some designed, in their standard form, to run on IBM or IBM-compatible computers, while others can be used on almost any make of micro or mini. The amount or complexity of information required from a system is another factor that companies have to bear in mind when buying a package.

Though most packages can be tailored to meet specific requirements, such adaptations can be costly relative to the price of the standard product. With such variations, what surprises many in this quite specialised area of computer systems is how little independent advice there is available.

Guidelines and Fleetpoint are two of the most recently-developed car fleet management packages. While the general purpose of both is the same, to help manage a fleet, each also contains unique features.

Guidelines, launched last month by CCN Automotive Systems, involved three years' research and consultation with professional and commercial organisations.

Central to the system is a Masterfile, a database containing detailed information on vehicles available in the UK. Updated daily, the file lists new and secondhand vehicle prices, spare parts, service and repair information, and performance warranties and insurance details. This data, gathered independently of motor manufacturers and traders, includes facts and figures on more than 1,500 cars and light vans.

Two customised files within Guidelines individually monitor all activities relating to the user's own fleet. A parameter file contains details about the company's fleet management policy on acquisition, disposal, servicing, depreciation, tax and discounting. A fleet file holds all "live" information about vehicles, drivers and day-by-day expenditure.

Guidelines draws together the data from these three files for financial and operational control.

Another feature is Guideline's capability for budgeting, using present rather than historic information drawn from the constantly-updated masterfile. In planning the acquisition of new cars, it is possible, for example, to compare the running and maintenance costs for one model of car with *those for* another, presented in pence per mile or as a capital sum. The system can also compare the costs of leasing, contract hire *or* purchase and the likely residual value of any vehicle *over the next five years or* 100,000 miles.

Renewal

Similarly, when projecting future budgets and cash flows, it will calculate the cost *of* replacing cars approaching their renewal time, the cost of saving or switching to alternative models, and projected cash flow if vehicles were leased rather than bought.

Guidelines also provides the features standard to many fleet management packages now available, from indicating which vehicles are due for tax, MOT or service to validation *of major repair invoices in* comparison with information on the Masterfile. It will also provide a variety of reports enabling the user to identify overspending, or underspending or run checks by cost *centre, service point, employee* status or vehicle model.

The system is intended for use by the fleet controller, financial manager and accounts department. A system of "passwords"

The cost of the package, £900 a month to return a three-year contract, includes an Apricot Xi personal computer and printer, and hardware and software maintenance.

The software is capable of handling fleets of up to 10,000 vehicles, though then a multi-user configuration would be essential. According to Mr Harry Sillitoe, CCN Systems product manager: "There would be no problem in establishing that capability. The Apricot system will support two dozen terminals, though the more likely requirement is for half a dozen. This would generally necessitate an additional processor, at an *additional* cost.

By using the package, Mr Sillitoe says a company with a fleet of between 200 and 300 vehicles typically would need only the part-time services of a junior member of staff, with access to information held on computer given to other departments and control exercised by the manager with ultimate responsibility for the fleet.

Fleetpoint, unlike Guidelines, *has no "masterfile" or budgeting capability.* "One of our aims was to develop a cost-effective modular system, so that transport managers could pick and choose the elements they needed," says Mr Suresh *Pai, head of modelling at Pin*point, where Fleetpoint is being developed. "Some transport managers find even our system too complex."

Some of the modules are essential to the operation of the system but others are optional. A subsequent version of the package should include modules covering accidents and insurance.

The essential modules are vehicle files, "constants" and passwords. Three types of vehicle details are kept. Basic details include not only information such as registration number, vehicle description and user department, but also reminders *to take action, such* as last service mileage or warranty mileage. The status of the vehicle may be specified, for example whether it is *in use or sold.* All these may be updated on line.

The second group includes details of performance such as miles travelled this month and past history. The last group includes details of current and historical costs with sub-totals for maintenance and running costs.

There are two types of "constant" data. The first, including fuel prices, unit costs, and depreciation type and rates, cover the fleet as a whole. The *second group relates to a vehicle* category and are held for the making of validation checks.

One optional screen provides a history of service and maintenance on the vehicle in reverse date order. Another keeps *a week-by-week record for* each vehicle, including details of employees, date, speedometer readings at the beginning and end of the week, any private mileage, expenses and costs including VAT. Such a screen would be useful, Mr Pai says, if car expenses have to be recovered and private mileage records are required by the inland revenue.

The system produces a variety of reports as *standard*, mostly of vehicles within department, some by vehicle group within department. Other reports may be specified.

A small micro with Fleetpoint, says Mr Pai, could handle between 200 and 300 vehicles. If the space-consuming service-and-maintenance file is not required, a larger volume of vehicles could be handled.

No price has yet been fixed *for Fleetpoint, which should be* ready for installation by the end of this month.

A further development in computer technology, particularly aimed at the truck market, are data coms. Conceived in North America, they monitor the performance of a truck, its driver and the route taken.

Data—Com II, the first such system to be marketed in the UK, comprises an onboard *central processing unit, an in*-cab driver keyboard/display and precision sensors to monitor miles covered, fuel consumption engine rpm, oil pressure, water temperature, vehicle road speed, idle time and off time. It will *also show how breaks have been* applied.

Independent of the tachograph, the system is also unaffected by loss of vehicle power.

Data, which is collected both cumulatively and chronologically, can be downloaded in 10 seconds on to a personal computer when the truck returns to base. Anchron UK, the company marketing the system in the UK, says that within six months trucks will be capable of downloading data just by passing over an inductive transfer loop at the entrance to a depot, for example.

Data-Com II is now on trial at an Air Products depot in Cheshire with 14 tankers and 22 drivers running trucks on Several breweries and multiple shifts throughout the UK. grocery chains are also inter*ested in trying* out the equipment.

One system would cost £1,500 to install, but for large fleets that would fall to £1,200. For a truck covering 60,000 miles a year at 7 mpg, Anchron says that the investment could pay for itself in one year. "Fuel savings of between 7 per cent and 10 per cent, already confirmed, hinge principally on the driver monitoring his own per*formance on the in-cab display* module," says Mr Bernard Marks, the company's managing director.

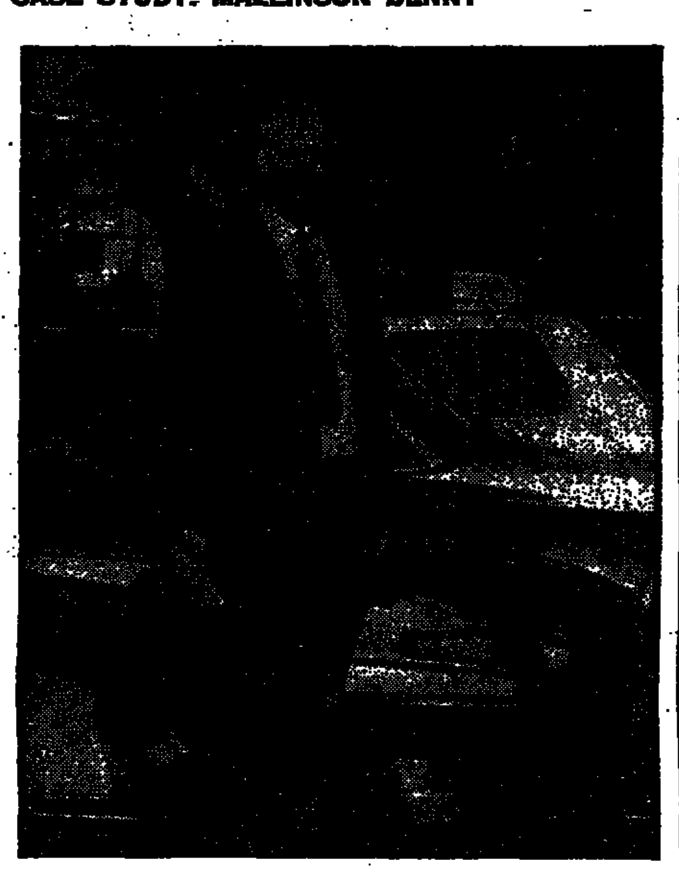
Freight Computer Services is working with Anchron to tailor its accounting and vehicle scheduling software to the format used by the data coms equipment. An analysis of the hours worked by the driver could also be integrated into a payroll system.

Anchron has also suggested to the Department of Transport that equipment such as Data-Com II should replace the tachograph. It is less prone to tampering, is more accurate and comprehensive and is able to withstand a severe fire, says Mr Marks.

The company is planning to create a pre-accident report. This would be triggered by an "impact switch," giving a comprehensive picture of the vehicle's performance say 10 minutes prior to the crash. The suggestion has so far met with a none too encouraging Government response.

However, the industry's acceptance of the equipment may be curtailed initially by union resistance. To quote from recent correspondence between Anchron and a major UK brewer: "The potential fuel savings and control aspects are attractive. In any large company such as ours, industrial relations are paramount. We have decided not to start negotiations with our unionised workforce on items such as you describe *until they are of the type that* can replace the tachograph legally."

CASE STUDY: MALLINSON DENNY



John Dyke: impressed by the range of contractual services

Savings from hire expertise

ANY GROUP of companies which has decentralised management and is spread around the country, is likely to run into problems in the running of a vehicle policy in house, unless it has special management expertise.

The major problem is that if the full benefits for group purchasing and economies are to be achieved, there needs to be expertise at head office.

This is in order to keep track of the details on a large number of cars and employees scattered around the country, many of whom may seldom visit the head office.

Alternatively, group companies can be instructed to operate their own car systems of car acquisition and disposal, avoiding head office burden, but at the cost of losing control and giving up the benefits of large scale purchasing.

It was a problem of this kind which faced the large timber merchant group Mallinson Denny seven years ago, when its policy on cars was under review.

At that time, the company was growing fast and had a large number of bases around the country. This has recently risen to about 120 bases controlled by 22 operating companies.

Efficient

Mr John Dyke, company secretary at Mallinson Denny, said it was decided to look at a contract hire system which would reduce the management burden and hopefully provide an efficient car administration system.

The Swindon-based company PHH International, was at that time far ahead of other contract hire companies in the range of contractual services it provided according to Mr Dyke.

He was impressed by the high degree of data analysis PHH was able to provide through its computerised system, enabling Mallinson to identify areas of high costs or even to pick rogue cars out of the fleet when they became expensive.

"What we needed to do was to centralise the whole process without incurring high overhead costs," he added, pointing out that the number of cars being operated by the company has risen from 500 to 700 in the past seven years.

PHH now acquires the cars wanted by the company, from the sources required, and charges for them at a flat monthly rate over the period of the contract. Mr Dyke said that the charges were based on a combination of the period of use and the probable mileage, with an adjustment at the end of the contract based on the resale value of the car.

"There is no doubt that PHH's fleet experience gives us a very good cost per mile on cars, and we are also advised on which cars have good performance in terms of cost, and are steered away from those which do not," he said.

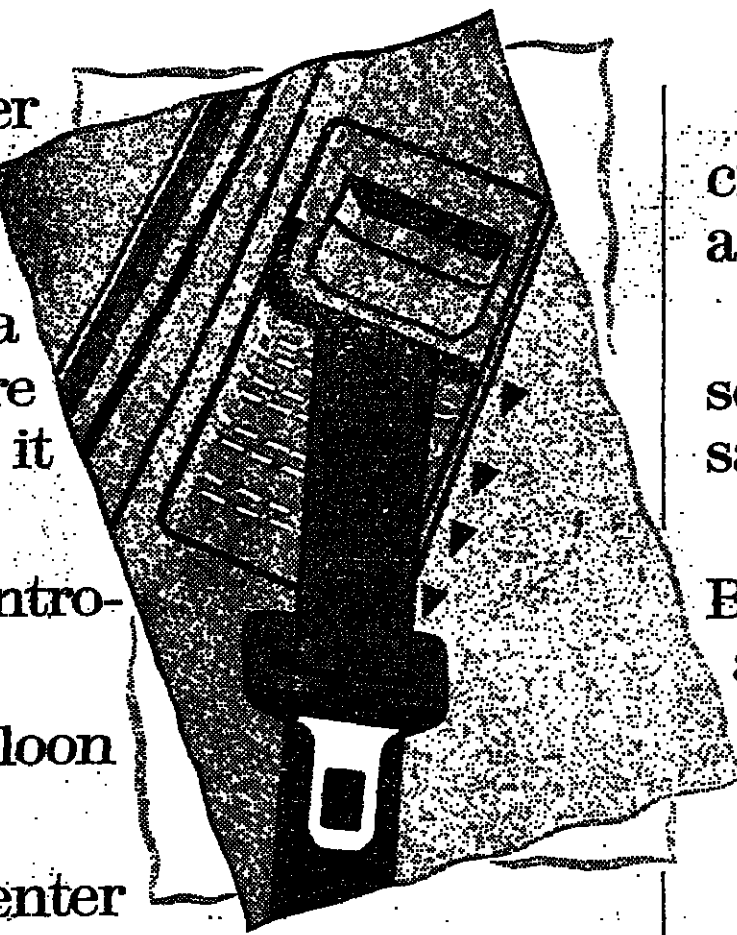
Although the company had quite a long list of cars which were available to employees, there was a tendency to buy Ford, Vauxhall and Saab cars. There is no requirement to buy British any longer, due to the difficulties in finding cars which were genuinely British-made.

However, Mr Dyke said that the most useful part of the service was the ability to look at the monthly details of car costs which were predictable and constant. Periodic statements providing data about the relative performance of vehicles was also extremely useful, he said.

He estimated that from his company's point of view, the management of the fleet was carried out efficiently and at a lower cost than could be achieved internally. Mallinson was only required to provide about 15 man-hours a week to deal with the system.

In addition, the cost of repairs and maintenance was closely controlled by PHH, which had the experience to recognise any over-charging on a wide range of vehicles. "On occasions, they have picked up some instances of overcharging, and pointed them out to us, which is very gratifying," Mr Dyke said.

LORNE BARLING



Do you ever hanker for those bygone days of travel?

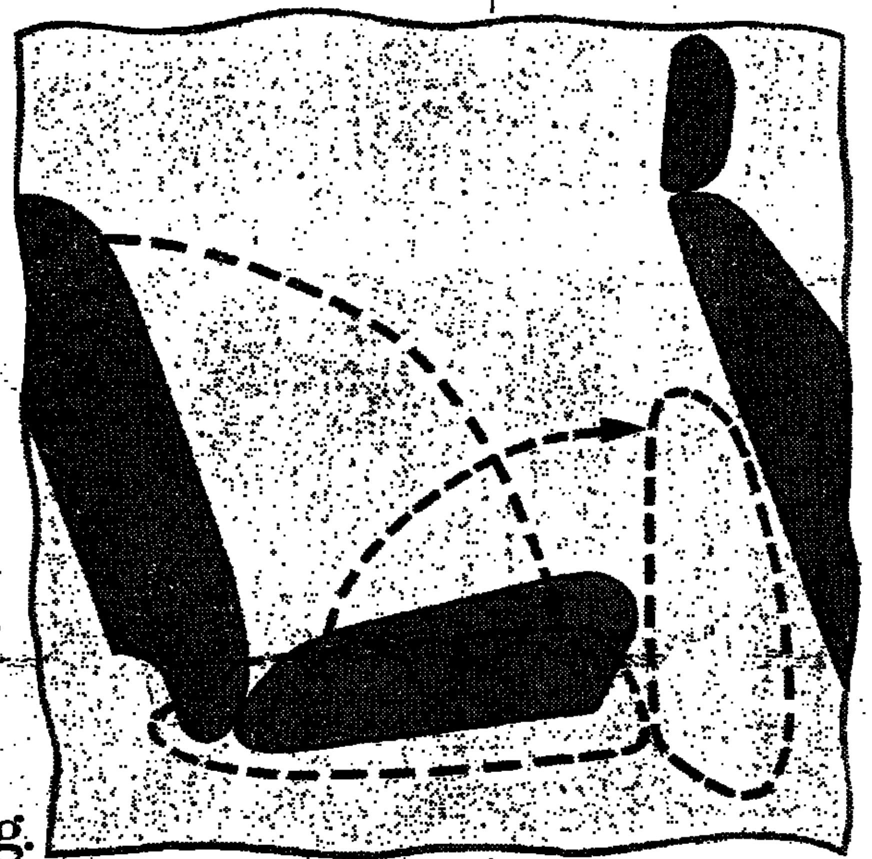
The days when a Grand Tour meant more than "If it's Tuesday it must be Rome"?

Then allow us to introduce the Belmont.

A rather stylish saloon car from Vauxhall.

The moment you enter the Belmont you'll notice its high level of appointments.

The seats are superbly upholstered and, in the front, easily adjustable.



The front seatbelts can be individually altered for height and driving position.

And there's also a four-speaker Philips stereo radio/cassette player.

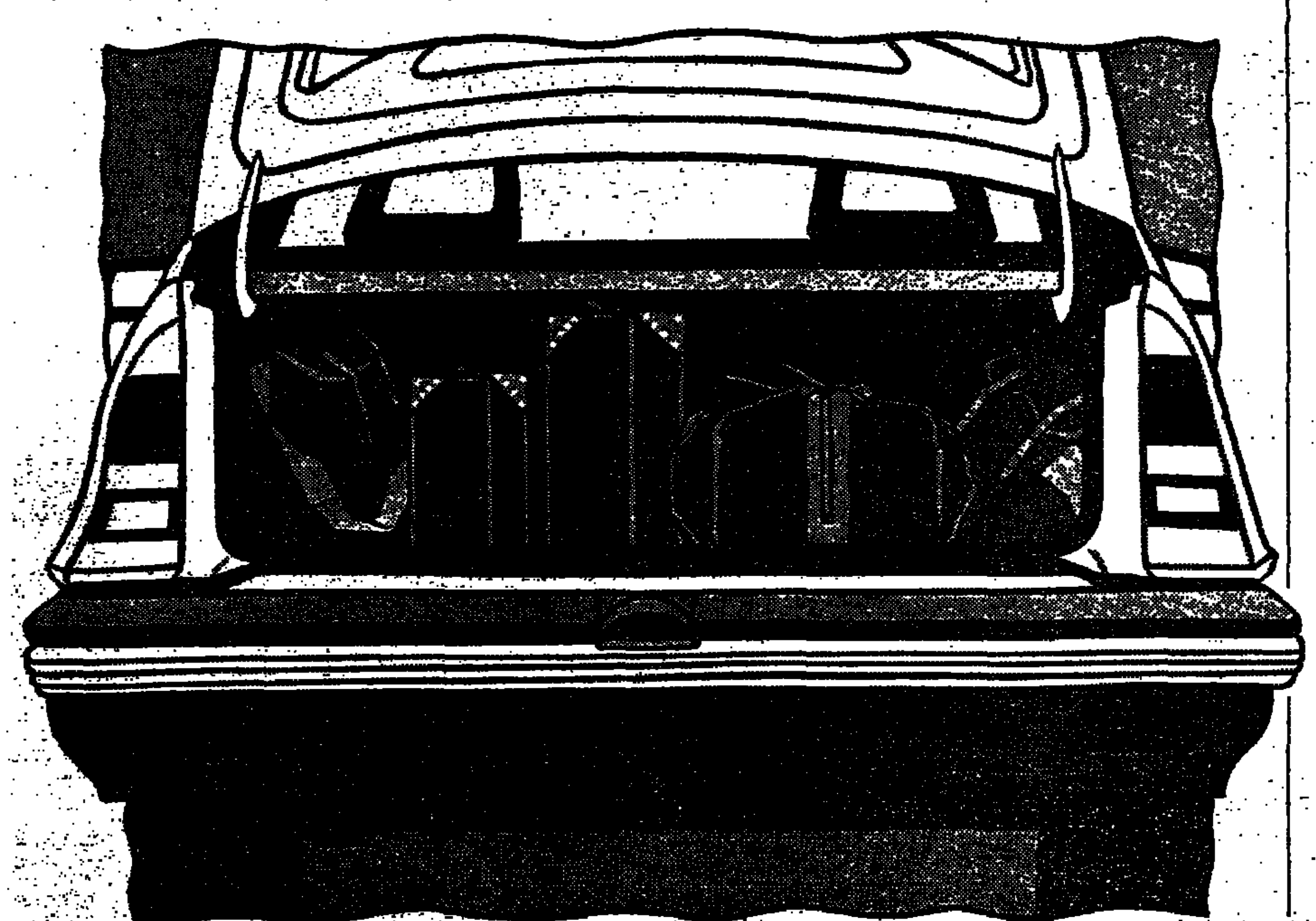
Of course, should you decide to push the boat out with the GLS trim, you'll find even more in store.

Centralised door locking.

Electrically operated and heated door mirrors. A sliding/tilting glass sunroof.

Even the steering wheel can be adjusted for the most comfortable angle.

But in any form, the Belmont's pièce de résistance is its boot.



The largest in its class, it boasts a capacity of 19·4 cu. ft., easily accessible thanks to a low loading lip.

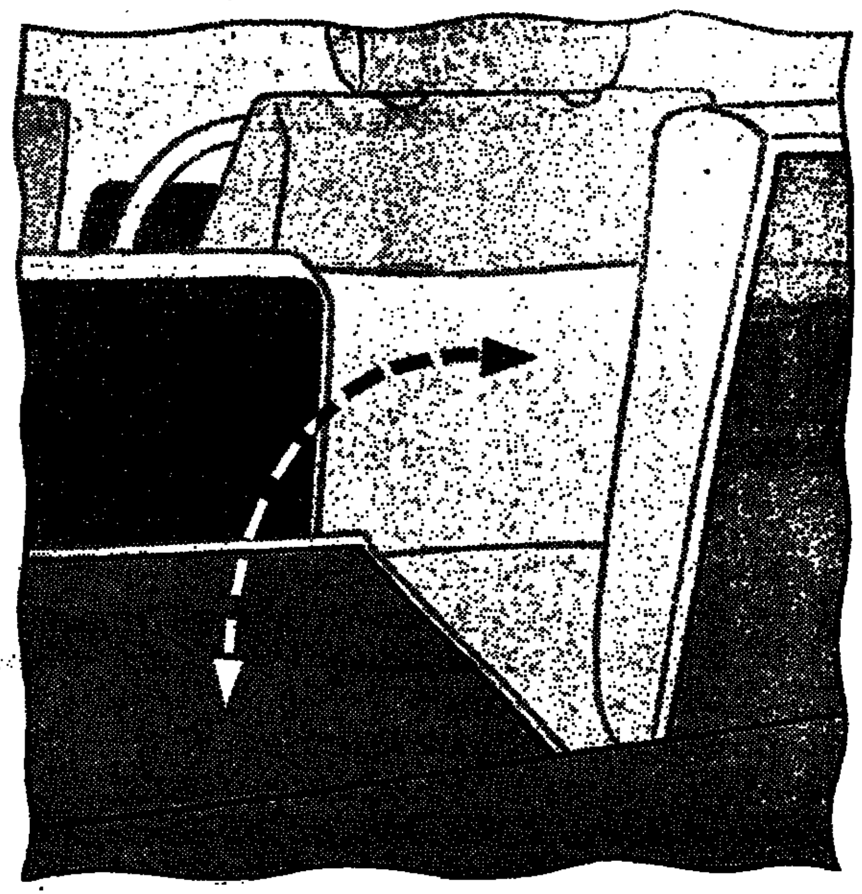
And thanks to 60/40 split folding rear seats, you can carry rear passengers at the same time as transporting lengthy loads.

Laden or unladen, the Belmont, like the Blue Riband liners of yesteryear, combines an uncommon level of comfort with a rare turn of speed.

Consider the GLSi, for example.

Its smooth streamlined coachwork has a class-beating drag factor of just 0·32.

Which helps it steam to an impressive top speed of 124mph. Yet it manages to



return a creditable 55mpg when cruising at a steady 56mph.

As you would expect with such an aerodynamic shape, wind noise is kept to a minimum.

Whilst the car's low profile tyres and its refined suspension mean it can negotiate the twistiest Route Départementale or Alpine road with an unruffled grace.

The Belmont is available with a wide choice of cabins. Seven in all. With three trim levels and four engine variants.

Right now, you'll find the new Belmont berthed at your Vauxhall-Opel dealer. Why not book yourself a maiden voyage?

GM

BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS

The new Vauxhall Belmont. From £6,210 to £8,095.

B E T T E R . B Y D E S I G N .

75 MPH 43.6 (6.5); URBAN CYCLE 26.4 (10.7). PRICES CORRECT AT TIME OF GOING TO PRESS INCLUDE CAR TAX AND VAT. DELIVERY AND NUMBER PLATES ARE EXTRA.

Balance shifts to outside specialists

Distribution
PHILLIP HASTINGS

FACED WITH increasingly complex distribution requirements, a growing number of companies are now opting out of running their own commercial vehicle fleets altogether in *favour of using outside specialists* to handle the whole operation.

In what would appear to be a natural progression in the overall shift away from commercial vehicle ownership into leasing and contract hire arrangements, contract distribution is being promoted as the next logical step down the same road.

Mr Mike Tarrant, managing director of National Carriers Contract Services, says that the supply of vehicles is only one part in the overall distribution chain.

"It is a natural progression to say that if we can supply the vehicles then we can supply a manager on site to schedule the trucks for the customer. Then we can go on to supervise the loading of those trucks and so on," Mr Tarrant says.

"As you step further and further down that road so you get to the *point where* you can say to the customer: you produce the goods and let us take it from there."

Following up that theme, the managing director of another prominent contract distribution company, Systemline, said the market was changing, with more and more people turning towards the concept of total physical *distribution*.

"The era of the transport manager running a few trucks, calling in at an assortment of parcels' carriers for particular deliveries and trying to hire trucks for peak periods is eroding," says Mr Brian Templar, the managing director.

The current Systemline set-up is in fact testimony to the growing interest in contract distribution packages — and to the determination of distribution service providers to promote such arrangements. Launched some three years ago as a product offered by the Lex Transport Group's Lex Wilkinson operation (much of which was in fact bought last month by Federal Express of the US), Systemline took a major step forward late last year when it was established as a separate business.

Commenting on that development, the managing director of Lex Transport, Mr Colin Millbanks, says Systemline has grown rapidly since 1983 and during 1985 alone signed contracts worth well over £5m.

In common with other leading contract distribution specialists, Systemline claims that by using a professional contract manager for each customer it is able to develop a combination of facilities to meet particular requirements, ranging from vehicles in the livery of the company concerned to warehousing and sophisticated stock control, the use of fork-lift trucks and express parcels carriers.

Computer modelling techniques can be used to advise clients on the ideal locations for warehousing, correct racking layout and materials handling and the correct size/number of vehicles. Computers can also be used to advise on seasonal adjustments to fleet operations, perhaps recommending the use of supplementary hire vehicles over busy periods.

Volume

Further evidence of the growth of the contract distribution business comes from Mitchell Cotts Transport Services which *is involved* with both that type of operation and contract hire. Until recently, some 70 per cent of the company's 2,000-strong commercial vehicle fleet was involved with contract hire services, 10 per cent *in* contract *distribution* and 20 per cent on contract hire with local authorities. Now, the ratio is more like 60:20:20.

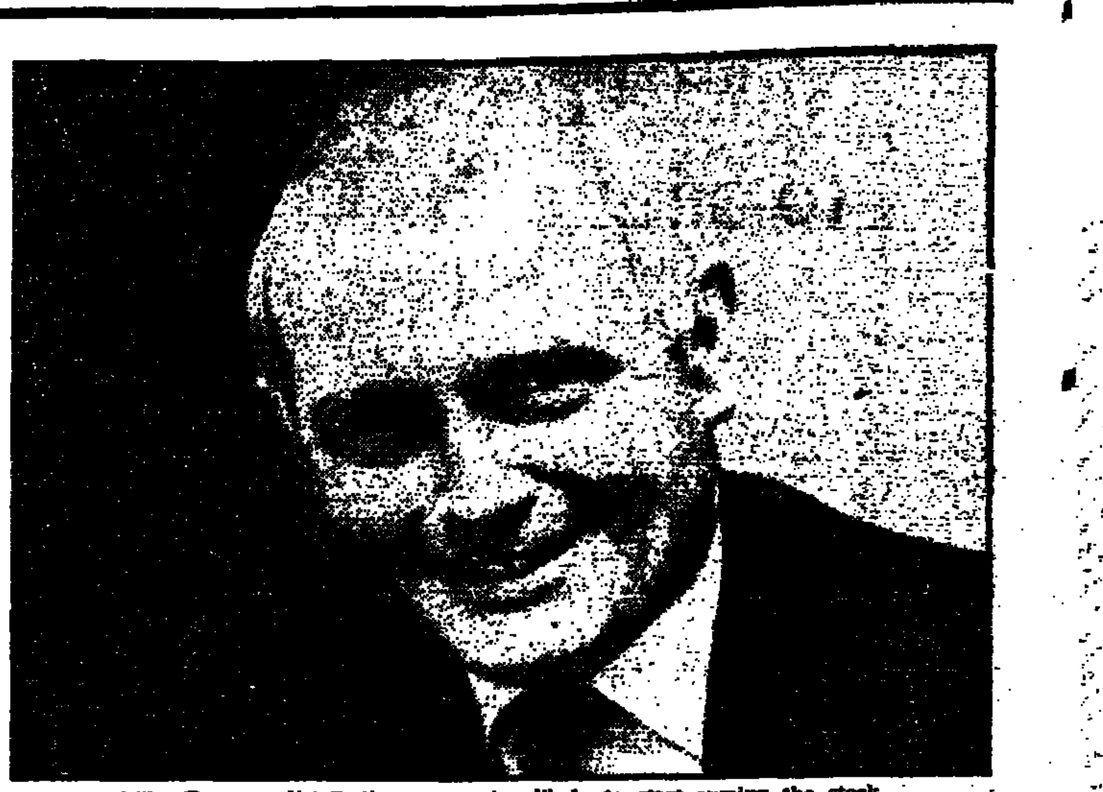
According to Mr Malcolm Burrell, Mitchell Cotts' sales and marketing director, while there has been no decline in the volume of contract hire business, the company believes that there is little expansion in the overall contract hire market.

"Recent experience suggests that companies now tend to go straight from ownership or finance leasing of their vehicles into a distribution package arrangement rather than opting for contract hire. But the situation varies very much from one company to another and from one finance director to another —some like contract distribution, others don't," Mr Burrell says.

At present, Mitchell Cotts tends to concentrate on the provision of customer-dedicated contract distribution, although it does operate a few specialised common user services, notably for the distribution of packaged lubricants on behalf of oil companies.

Basically, said Mr Burrell, there was no such thing as a standard contract distribution package. Some customers liked to retain their own warehousing and stock control but contract in an outside specialist to provide the trucking both for primary and secondary distribution; other clients might want the contractor to handle the warehousing and stockholding functions.

Going along with the view that contract distribution packages has to be tailor-made for individual c ustomers, Mike Tarrant of NCCS says that to develop such a package contractors had to spend a lot of time getting to know the customer's business. It could take anything up to 18 months to carry such a project through to its conclusion.



Mike Tarrant: distribution companies likely to start owning the stock

Decisions to change distribution procedures were not *taken* lightly—in one year NCCS might win up to 20 new contracts but the number could be as few as eight to ten, depending on their size.

"Usually, the development of a distribution package starts with us integrating with the customer's computer system. What we have to do is find cut exactly what the customer really wants and develop a system to meet those needs." Mr Tarrant says.

As an example, he quoted the contract NCCS undertakes on behalf of BMW (GB). Basically, the distribution system is designed to provide BMW's 320 dealers throughout the UK with a two-tier service; stock orders and VOR (vehicle off the road) orders.

For that operation, NCCS provides a contract manager, drivers, warehouse supervisory staff, vehicles *including* tractor units aid trailers, rigids and integral vans and services such as computerised performance analysis, route scheduling and forward planning, vehicle loading and full operational support.

Each BMW dealer makes a fortnightly stock order. Using computer scheduling, 23 routes *have been established* to serve all mainland and Northern Ireland dealers. These include deliveries to mainland ports for the Channel Islands and the Isle of Wight for onward delivery.

For VOR emergency orders, NCCS uses integral vans and rigids which are mainly based at Bracknell, Berkshire, but others operate from three strategic locations across the country owned by NCCS. They ensure that any orders input to NCCS by BMW before 1700 hours one day will reach the dealer by 1430 hours the following day.

As a further development of that distribution service, NCCS has been talking to BMW about delivering parts direct to dealers during the night so *they* are available *for* use first thing in the morning rather than, as at present, delivering to *the* nearest depot at night *for onward* movement to dealers in the morning.

Much of the recent impetus for developments in the contract distribution sector has come, though, more from retailers than manufacturers and suppliers. Using their buying power to dictate patterns of distribution, High Street stores, for example, *have been prominent among* the users of contract distribution services.

Debenhams, for example, uses Systemline to handle the transport *of goods from* suppliers to its 67 department stores throught the UK. The system is controlled from Debenham's buying office which nominates Lex Wilkinson's general parcels operation as the carrier.

Boxed goods

Systemline manages the physical distribution of UK boxed goods from source to store, using whichever Lex Wilkinson service is most suitable. *Lex Wilkinson's computerised* parcels monitoring system enables Debenhams personnel to get instant information on the whereabouts of every consignment.

As part of the system, Debenhams agrees the terms of transport with a supplier, Systemline invoices Debenhams directly for all collections and deliveries and Debenhams recharges the suppliers on an agreed cost basis.

A number of senior contract distribution industry executives *believe this integration* could go a lot further over the next few years.

Mike Tarrant of NCCS, for instance, says there is likely to be a trend over the next few years towards *distribution* companies actually owning the stock they are distributing. Such a set-up is not uncommon in the US although it has yet to really catch on in the UK.

"The way I envisage this working is that the purchasing manager of the retailer would tell the distribution company who the suppliers are, what the sales *forecasts* are and then leave the distribution company to ensure it has sufficient stock-holding *to deliver* the right volume of goods to the right place at the right time," Mr Tarrant says.

In effect, contract distribution companies could become more like distributors, owning and holding stock ready for distribution to retail outlets as and when required. *On the other* side of the coin, distributors themselves could be said to be offering a "distribution package" on behalf of suppliers and retailers.

Take TBD, which is a major distributor of computer software/hardware, records and pre-recorded videos. The company, which operates from a base at *Newcastle, Staffordshire*, is currently distributing something over 250,000 packages a year, containing about 12m items, to 6,000 retail outlets.

Facilities include 40,000 sq ft of storage space and a powerful mainframe computer which processes orders, makes stock adjustments, prints out four-part delivery and invoice forms and provides instant management information via desk-top remote monitors.

Mr Norman Smith, TBD's managing director, says: "We take orders up to 1900 hours in the evening for next morning delivery in 90 per cent of the UK. Points such as northern Scotland, south-west England and Northern Ireland take a further 24 hours."

For the physical delivery of orders, TBD uses the parcels division of Securicor. Four vehicles collect from TBD each day, two south-bound and two north-bound. The packages are then despatched by trunkers to ten regional terminals and then on to 160 distribution depots, ready for the early morning deliveries to retailers.

Virtues in whole-life costing

Truck services
ALAN BUNTING

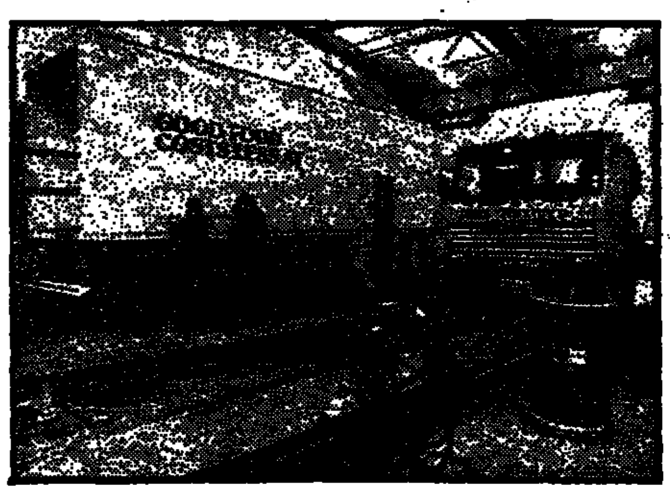
DURING THE past 10 years and particularly over the prolonged recession recovery period, since 1981-82, many commercial vehicle users in Britain have reassessed their fleet replacement policies. They have come to recognise the virtues of long-term or "whole life" costing.

Those transport operators who continued to "buy cheaply" were, in many cases, constrained by their cashflows. They simply could not afford to invest to achieve those *future* cost savings promised by more reliable and longer-lasting — though initially more expensive — trucks and vans. As a result *many such concerns, in* the hire and reward (haulage) sector, went to the wall.

Own-account companies, primarily manufacturers and traders running their own fleets, who had long followed a similar policy of short-term costing — which in many cases meant simply "crisis replacement" after major mechanical failure — switched to contract-hire or finance leasing.

To pay more for a truck with, say, an eight-year life expectancy in preference to one which will need to be replaced after only five years, is a matter for carefully considered judgement. From a 1986 perspective, inflation, as it will affect the price of replacement parts and the cost of workshop repairs as well as new truck prices in the crucial period from 1991 to 1994, is inevitably a matter of some risk.

Nevertheless, more and more vehicle buyers are opting for so-called premium chassis, even in those weight categories where the high-volume low-cost *producers* have reigned supreme. More recently, the middle-weight truck sector *above 7.5 tonnes but below 16* tonnes gross, where premium specifications were effectively unobtainable, has seen a swing to more durable but expensive chassis.



Operators have to consider carefully the cost of replacement parts between vehicles with a different service life.

Although the trend in Britain to longer-life trucks gained momentum, at least at the heavy end of the market, in the early 1970s, it has been given unexpected additional impetus by the Exchequer's capital allowance changes announced in the 1983 Budget.

Commercial vehicles purchased before March 1984 qualified *for 100 per cent first-year* allowance against corporation tax. Under those circumstances fleet replacement was often as much a tax-saving as an investment decision.

Companies that had enjoyed healthy profits, and therefore with correspondingly heavy tax commitments in prospect, were tempted to bring forward their vehicle replacement programmes so that the capital expenditure occurred before the financial year-end.

For consistently profitable companies the revenue advantages of more frequent vehicle renewal often outweighed the more logical whole-life costing attractions of buying more expensive and durable equipment.

One finance director of a waste disposal company running more than 100 vehicles has said that after April 1 1986, when the first-year capital allowance has been reduced to zero (in the last of three steps), the benefits of buying long-life vehicles will be felt only *two* years after purchase.

He based his calculations on a comparison of one make of heavy truck chassis with a five-year life and an alternative, *costing initially* about 15 per cent more, which would not need to be replaced for eight years.

Unfortunately for British vehicle manufacturers, the finance director's calculations involve comparisons between British and foreign trucks, the latter being more expensive but longer-lasting.

However, many British built heavy chassis, particularly long-haul articulated tractors, can hold their own in endurance terms with the best of the Continentals.

The American-designed but Scottish-manufactured Cummins 14 and 10-litre engines which power the majority of British heavy trucks are now acknowledged to have a working life of ½m miles.

The 12-litre Eagle diesels from Canadian-owned Perkins and the Hawker-Siddeley group's Gardner range of power *units are not far behind*. The Eaton and Spicer gearboxes and Rockwell drive axles now adopted almost universally by heavy truck makers in this country have similarly demonstrated their longevity against European *competition*.

Some *transport operators* have found though that cabs, chassis frames and suspensions *do not always live up to the* durability standards of the engine and transmission. Continental and Scandinavian heavies tend to score higher life expectancy marks when such matters as frame distortion, spring breakages and cab corrosion are taken into account.

Imported

For that reason, some companies running fleets of waste collection vehicles, tippers and other on/off-road trucks subject to heavy abuse, have tended to move from British to imported chassis. The capital allowance changes have served to accelerate the trend.

In the past two or three years high-volume British manufacturers such as Ford and Bedford, spurred by foreign competition, have made strenuous efforts to raise quality levels. The Ford Cargo and Bedford TL ranges have been substantially revised since their respective launches in 1981-82.

Most *of the changes are* "beneath the skin" but nevertheless are crucial in boosting chassis durability so that replacement cycles can be extended in the interests of keeping down whole-life operating costs.

New Transit ready to make its mark

UK truck market

KENNETH GOODING

THE FIRST of Ford's rebodied Transit vans are just finding their way into the fleets and on to the roads of Britain.

Ford's best seller — and its most-profitable vehicle, cars not excluded — had a remarkable 20-year history and became part of *automotive folklore by transforming* the concept of what a van should be.

The old Transit also went out in style. In the last year of production, 1985, it continued to dominate the medium and heavy van market in Britain with a 36 per cent share.

But it was widely-known, particularly among influential fleet customers, that a revamped van was on the way—after all, *the fleets played an important* part in the development of the new Transit by advising Ford and taking part in test "clinics."

So, although Transit sales remained reasonably firm last year and went down only by 1,164 to 43,956, there was an opportunity for competitors to make some headway during the change-over period.

This was gratefully accepted in particular by Renault of France. As recently as 1981, Renault was selling only 1,500 medium and heavy vans a year in the UK. Last year the total reached 10,321 after another 42 per cent rise from the 1984 level.

Renault has had the benefit of its new Trafic/Master van *range*, which is *versatile in the* variations it offers — at one time it *seemed* as if the number of variations would be too confusing *even* for the dealers.

However, the vans are sold through Renault's car import company, not the truck business; and that company needed to look elsewhere for volume and profit at a time when car sales were dropping off.

It paid Renault to go out and look for van business. The French group's competitors claim that Renault made a great deal of headway because its prices are so low.

Renault insists it made progress by offering value for money. To quote one example, a sliding side door was offered as a no-cost option on the Renault vans while customers had to pay more for this facility if they ordered one from another manufacturer.

However it was achieved, Renault, which hardly figured in the medium van sector only five year ago, in 1985 brushed past Volkswagen, the leading importer for many, many years.

VW's medium and heavy van sales fell by 391 to 7,481. This *disappointeng performance* is attributed by VW's importer to the fact that it refused to join in the worst excesses of the discounting which went on.

VW's loss of volume came at a time when total sales of medium and heavy vans rose by 4.64 per cent from the 1984 level to 121,202.

Daimler-Benz, the Mercedes group, also attacked hard during the old Transit's last year in production and pushed up its registrations by 755 to 6,059.

In spite of the undoubted successes of Renault and Daimler-Benz, the UK-based *companies actually pushed* back the level of medium and heavy van imports slightly in 1985, from 42.6 to 42.17 per cent.

For, while Ford was feeing the effects of saying goodbye to the Transit, Freight Rover, the BL subsidiary, already had its new product—the wide-bodied Sherpa 300-series vans—available last year.

Freight Rover, which was in *danger* of being permanently closed down at the end of the 1970s, increased van sales by 2,249 to 16,894, the best since the company was given separate status within the Land Rover-Leyland division of BL in 1981.

Bedford, the General Motor's offshoot, also did better in the medium and heavy van sector last year following the £50m rationalisation and revamp of its Dunstable assembly lines which included the introduction of a new vehicle, the Midi van, based on a design provided by Isuzu of Japan.

Bedford's sales improved by 1,380 to 14,644 last year. However, the company faces a hard, uphill struggle before it achieves its publicly-proclaimed objective of taking van market leadership in the UK.

In the light van sector Bedford also improved sales last year, from 18,395 to 19,662, reflecting demand for the new Astra van. But that still left Bedford in third place in the sector behind Ford, with sales up from 28,501 to 30,652, and BL's Austin Rover, sales up from 18,772 to 21,928.

Austin Rover has made an impressive come-back in the *light* van market now that the old Marina vans have been replaced by vehicles based on the Maestro car. The company will do even better once it can offer the direct-injection diesel engine, *developed in co-operation with Perkins, which is now* close to introduction.

Both *Bedford* and Ford have diesel options already available. Market leader Ford is bound to benefit from the major changes made to the Escort van which *echo the big "facelift" given* to the Escort car.

The changes, to be seen when "freshened-up" vehicles make their debuts next month, include an all-new interior for improved driver environment, a *more aerodynamic shape and a* new range of "lean-burn," less-polluting engines.

The engine range includes a new 1.3 litre overhead valve petrol unit replacing the 1.1 litre OHV previously used and *1.4 and 1.6 litre CVH petrol* engines which, together with the aerodynamic front, help to improve both performance and economy, according to Ford.

Total light van sales in the UK were up by 11.26 per cent to 93,686 last year, according to the Society of Motor Manufacturers and Traders. The importers gained only a little ground because of the strength of the UK-based companies in this sector: the importer's *share eased up from 27.39 to* 27.77 per cent.

Fastest growth among the importers, admittedly from a low base, came from Volkswagen which introduced the Caddy pick-up — based on the Golf and assembled in Yugoslavia—in 1985. As a result its light van registrations shot up from 639 in 1984 to 2,466 last year or by 286 per cent.

Above: Ford's Transit, rebodied version of the highly profitable best seller. Right: the Trafic, versatile van that has helped Renault to make headway

Sales result beats the discount game

UK van market

KENNETH GOODING

THE FLEETS have played an important role in the development of the truck price war in the UK. Each manufacturer has some key fleet customers it does not want to lose in almost any circumstances.

To protect its position in those key fleets, the manufacturer will usually drop its prices to match those of any rival truckmaker attempting to break in by using heavy discounts.

For this reason all the major manufacturers have at one time or another been accused by competitors of offering "silly" deals at ridiculously low prices.

However, the recent rapid advance of Daimler-Benz, the Mercedes group, in the UK heavy truck market (over 3.5 tonnes gross weight) has not been bought entirely with heavy discounts, as its rivals readily admit.

Last year D-B overtook Bedford in the heavy truck sector to win third place in the manufacturers' league table (after Ford and Leyland).

This is the highest position ever reached by an importer, but D-B has a good chance of holding on to its new position for some time.

While Bedford, General Motor's British subsidiary, was *suffering from lack of new products* and saw its share of the heavy truck sector fall from just over 13 per cent to 10.69 per cent, D-B shot ahead from 9.6 to 11.45 per cent. D-B's sales rose by more than 25 per cent to 6,395 trucks.

The main impetus came from its LN range, introduced in 1984 after a DM 100m (£28m) seven-year development programme, which competes in the UK in the high-volume 7.5 tonne part of the sector.

D-B sold 932 of its old LP trucks in the UK in 1984, admittedly a year in which the group's output was held back by the metal workers' strike in West Germany.

Sales of the LN range last year beat that by 93 per cent and reached 1,799, and the increase was not achieved by heavy discounting.

The West German group claims that 11 years of hard work, since it took over its own import company in the UK, went into laying the ground for last year's impressive performance. It carefully built up a strong dealer and after-sales network so that it could be in the position to take advantage of the extra sales opportunities as new products came along.

Introduction of the LN range not only enabled the Mercedes group to move ahead of Bedford, it also had an impact on Leyland, BL's subsidiary.

Leyland aims to win back the UK heavy truck market leader-*ship it lost to Ford in 1977* and is banking heavily on its 7.5 tonner, the Roadrunner, to help do the trick. But the presence of a competitor as strong as the new Mercedes held back Roadrunner registrations to some extent last year.

Even so, Leyland's registrations still rose substantially, by nearly 15.5 per cent to 8,930.

This was better than the heavy truck sector as a whole which advanced by 5.7 per cent from the 1984 level to 55,833, according to Society of Motor Manufacturers and Traders figures. Leyland's share of the total improved from 14.6 to 15.99 per cent.

In the meantime, Ford, which is represented at the heavy end of the commercial vehicle market by the Cargo, experienced a slight fall in market share to 18.04 per cent.

Ford's registrations were up by 5.5 per cent to 10,075 and so were heading in the right direction.

Helped by D-B's rather remarkable performance—and the company hopes to continue to build commercial vehicle sales in the UK by about 10 per cent a year—the importers' *share of the heavy truck sector* moved ahead from 34.47 to 36.74 per cent in 1985.

Price competition has been particularly severe at the top end of the sector, for trucks over 16 tonnes. Those who keep away from the battle do so at their peril.

For example, Foden, the subsidiary of *Paccar* of the *US*, refused to become embroiled in the worst excesses of the price war. "We walked away from some deals because the prices were ridiculous," says Mr Roy Caddy, the marketing director. But Foden's sales in the UK dropped from 745 trucks in 1984 to 450 last year as a result of this policy.

Another effect of the price war is that, since it reached the levels prevailing in 1983, it has made the market very volatile and difficult to read.

Most observers agree that the sales peak reached in 1979, or even 1980 when the over-3.5-tonne sector in the UK produced 61,300 registrations, is probably gone for ever.

DRI Europe, in its latest Trucks Forecast Report, for example, suggests that sales will move ahead to about 58,600 this year but then drop again and not be back at this level until 1995.

A surge in this year's registrations is expected because it is eight years since that sales peak in 1979—the average useful life of a truck in the UK.

DRI points out that at the be-*ginning of last year there were* still 60,000 of the 92,000 vehicles sold in 1979 still on the roads so "a bulge in replacement demand is thus quite probable. What is more, at least in the short term, the performance of the UK economy is relatively strong and is bettering the average achieved in the rest of Europe."

It is, however, unlikely that the buoyancy of the truck market this year will do much to alleviate the price competition.

Excess production capacity continues to plague the European producers, and they are still under pressure to keep their factories fairly well loaded with work by "moving the metal." There are *few* signs of those export markets in the Middle East and Africa, which *virtually closed down during* the 1980s, opening up their doors again in the short term.

However, there could be a major rationalisation of the European heavy truck industry in 1986 with some closure of component production capacity in particular, new joint ventures and ever mergers. GM-*Bedford* has been talking to Leyland; Iveco, the Fiat subsidiary, is negotiating with Ford of Europe about its heavy truck business.

Five years have gone by since the collapse of European truck demand, long enough for the manufacturers to understand that it will be a hard road back and they must take some drastic measures to cut costs and return to profitability. This year could be the year when they really get to grips with the problems of excess production capacity.

Vehicle Fleet Managemen t 14

Ownership option loses its appeal

Hire/lease trends

PHILLIP HASTINGS

CHANGES IN company taxation rules and revised standard accounting procedures have combined to generate a widespread re-think about the way commercial vehicle fleets are run.

Major options open to companies employing such fleets include outright purchase, financial leasing, contract hire and rental. Each has its particular merits in relation to the others but recent changes in tax legislation have tended to alter the balance between the different methods of fleet acquisition and operation.

Increasingly, companies are now turning away from outright purchase of their commercial vehicles. Not only does purchasing represent a costly investment—a new tractor unit can easily cost £25,000-£30,000 and a trailer some £10,000—in an often rapidly-depreciating asset, it also means the operating company retains total responsibility for those vehicles, including insurance, MOT, operating licences and maintenance.

In addition, outright purchase is tending to become less attractive in the light of changes in taxation rules. In particular, the replacement of first-year capital allowances by a 25 per cent writing down allowance will mean increased tax bills for those companies which had been acquiring vehicles by outright purchase specifically to reduce their tax bill.

As a follow-on from that, there will be less incentive to invest in new vehicles. Existing *equipment is likely to be run* on longer than might be financially desirable, with a resulting increase in problems of maintenance, reduced availability and poor reliability.

"The removal of allowances will significantly reduce the perceived advantages of vehicle ownership. In future, the decision process on commercial vehicle acquisition is likely to take more note of operational efficiencies and true comparisons, with a swing away from the balance sheet bias experienced until recently," says Mr *John Halstead, financial controller* for contract hire/rental organisation at Transfleet Services.

A second important method of acquiring commercial vehicles is through financial leasing. Until recently, the main advantages have included the fact that because the owner of the legal title to the asset, for example a finance house or bank, was able to retain the capital allowances on the asset, it was able to lease that asset to the user at very low interest rates.

Capital value

At the same time, the user did not have to show the capital value of the asset, or the associated debt, on *its balance sheet*. This proved particularly attractive to companies concerned about the level of debt and the apparent level of gearing at which they were operating.

According to the UK's leading truck hire/rental organisation, the National Freight Consortium's British Road Services, both such advantages are *now disappearing*.

"The recent changes in tax legislation will mean the interest differential between leasing and outright purchase is all but eliminated. In addition, the application of a recently-issued Statement of Standard Accounting Practice (SSAP21) will mean that financial leasing and the associated *capital value of assets* and related debt will appear on the published balance sheet," BRS says.

A third method of vehicle acquisition which looks likely to benefit as a result of SSAP21 is operational leasing. Basically, SSAP21 draws a distinction between financial leasing, where the lessee takes substantially *all the risks* and rewards of ownership, and operational leasing where the lessor retains a substantial degree of risk himself—normally by granting a lease for substantially less than the asset's full life.

Among the advantages of this type of lease, say proponents, is the fact that it does not need to *appear on the lessee's balance* sheet. Against that, critics argue the main problem is a current limited supply of that sort of finance and the cost penalty associated with it. In addition, they say, the lessor retains a degree of risk.

The point about the limited sources of finance for operational leasing agreements is accepted by United Leasing, one of the companies now getting involved in that field. Currently best known for its computer leasing operations—the company last year wrote some £170m-worth of *leasing business*, of which *£30-40m* was IBM-related—United Leasing moved into the truck leasing field in March 1985. *Since then it* has written approaching £10m-worth of busines with companies such as TNT, Watneys, BRS and Pickfords. That business involves about 700 trucks in all.

Director Mr Sam Geneen says: "*There are a limited* number of people who are prepared to get involved in this type of business—banks and traditional finance houses are often reluctant—which means there are opportunities for companies like ours."

Mr Geneen says that as a specialised operating lease company, United Leasing had been attracted to the commercial vehicle sector by a number of factors. In addition to those resulting from SSAP21 and changed taxation rules, the company also experienced a demand from customers in other sectors.

"One of our customers had a requirement for an operating lease for the vehicle fleet. They had sourced the vehicles themselves and were going to do the maintenance themselves but they did not want them on the balance sheet and did not want to become involved in the resale," *he adds*.

Livery

Basically, United Leasing believes the attractions of *operating leases are greatest for* large fleet operators, those with 50 vehicles or more, which feel they can do a better job of running their vehicles than outside contractors. The company is currently *involved only* with the leasing of trucks but would like to include trailers as well.

Overall though, the method of commercial vehicle acquisition and operation still getting the most "*hype*" is contract hire.

BRS says that a typical contract hire agreement covers not only the provision and maintenance of vehicles but also expert advice on vehicle design and specification, livery and the fitting of additional equipment. On top of those advantages, customers benefit from the buying *power of large transport* organisations such as BRS which could result in reduced hire costs for the customer.

"At its most basic, BRS Contract Hire takes care of all insurance, including goods in transit, licensing and mechanical maintenance. Additional facilities which can be built in include the provision of fuel, drivers, breakdown, lubricants, recovery, tyres and any other element of the transport mix needed to complete a tailormade package," he says.

As with operating leases, supporters *of the contract* hire method claim that the disappearance of the advantages for outright ownership of vehicles and changed accounting procedures should give their particular industry a boost.

Says Mr Michael Noel, Transfleet managing director: "Quite often in the past, financial considerations *over-rode the operational* advantages of contract hire. Our argument now, therefore, is that with the reduction of capital allowances the financial considerations are not so likely to outweigh the operational ones."

Even so, most contract hire industry executives admit that the business as a whole has not expanded as rapidly as they might have liked or expected. Most believe the future will see slow or perhaps steady growth rather than dramatic expansion.

Mr Neil Walshaw, group contracts manager *for BRS*, says the number of contract hire vehicles operated by the company peaked at about 3,600 in 1979, dropped to about 2,900 early 1980s and was now back up to just over *3,100*. The company, which claims to be market leader in the full service contract hire sector with a share of about 6 per cent, expects to see its business grow in line with that market at a rate of around 3 to 4 per cent.

On the trailer side, where the company currently has 1,300 units *on the books*, the rate of growth is slighly faster.

Fitting in with all the other various methods of commercial vehicle fleet operation is rental, which can be used to meet short-term requirements rather than longer-term demands. In the former category, rental agreements can be used to acquire vehicles/trailers to cover fleet breakdowns, seasonal peaks or to fill in the gaps between the *disposal of one lot* of vehicles and the arrival of replacements.

"The advantages for rental are similar to those for contract hire, that is, the operator does not own the vehicles. Also, under a rental agreement, the customer only pays for the vehicles when he needs them, which is a particular advantage for companies which experience substantial fluctuations in their business," commented the group rental manager for BRS, Brian Kirkwood.

As evidence of the continuing demand for rental vehicles, he says the BRS fleet had grown by about 20 per cent a year over the last few years, from 700 in mid-1981 to a current level of about 1,550.

CASE STUDY: BRITISH ALCAN

Mark Strong: running lorries at night a cost saver

Night trunk savings

TWO BRITISH Alcan companies based at Banbury *in Oxfordshire* have recently handed over their entire commercial transport operation to British Road Services (Midlands), a move which they estimate has saved them 15 per cent on operating costs.

The two companies, Alcan Building Extrusions and British Alcan Extrusions, had previously run *their own fleet of* vehicles to deliver aluminium extrusions all over the country, but according to Mr Bob Dumbleton, operations director, it was considered to be costly.

"We had quite an efficient operation, and owned about 80 per cent of the transport, topping it up when required. But we couldn't get the economies of backloading on a national network and decided to look at alternatives," he said.

BRS and another company carried out audits of the transport operation, which was made up to 20 lorries and 17 drivers.

BRS estimated that it could *make a saving of around 15 per* cent on costs, representing about £150,000 a year, and won the contract, Mr Dumbleton said.

The drivers were offered alternative employment and BRS took over the fleet of Alcan lorries, although these were not subsequently used for Alcan transport.

The main initial advantage *was that Alcan was not faced* with the capital expenditure on new vehicles. BRS provided a total of 12 new vehicles, eight based at Banbury and four out-based at Manchester, Bristol and Glasgow.

A particular feature of the BRS operation is a night trunking service using the four out-based vehicles. Deliveries are *made to the BRS branches from* Banbury overnight, and the trailers transferred to the out-based vehicles for forward delivery to Lancashire, Scotland and Cornwall, thus releasing Banbury-based vehicles for extra duties.

BRS Midlands has also taken over a total of 52 of British Alcan's existing trailers which *are being contract hired back*, and the company services and maintains three "shunt" units and a Transit van at Alcan's Banbury factory.

"The new partnership came about *after six months of* painstaking research undertaken by BRS," it said. This involved analysis of British Alcan's distribution patterns in order to determine the delivery trends, and to highlight areas of cost savings.

At the end of the research period, BRS produced a comprehensive report detailing recommendations for future operations. This included the recommendation to reduce the existing transport fleet by five vehicles and the introduction of the night trunking system.

According to Mr Mark Strong, BRS Midlands' manager at Banbury, it was immediately evident that Alcan could cut its transport bill substantially by running its lorries at night as well as day. BRS also used the computer model at its central consultancy, NFC Consulting Group, to evaluate the benefits of night trunking.

BRS believes that the fleet traffic is now more efficiently run and that a closer check is being kept on delivery times and costs. Two BRS management staff are now working full-time at Alcan.

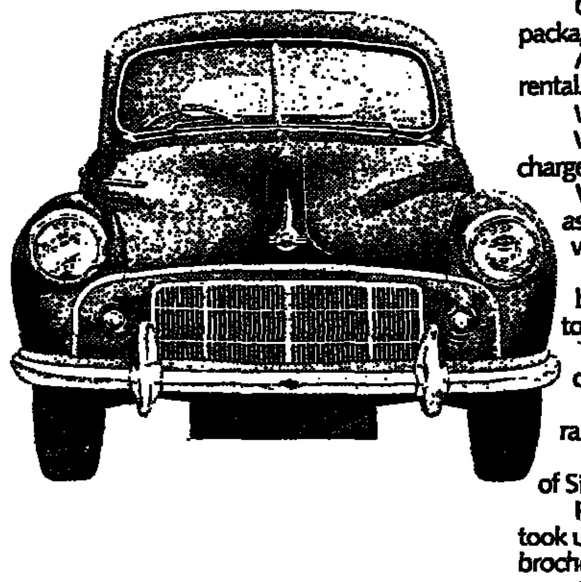
BRS said: "The biggest problem in setting up a night trunking system of this sort is establishing locations to trunk to where the vehicle and drivers are going to be properly managed, and arranging for cover when needed. This is clearly much less of a problem for a transport specialist with a national network such as ours."

It added that the contract was won on the promise of better and more detailed management information. BRS had also benefited from looking at *the company's transport situation* not in isolation but from the point of view of Alcan's overall distribution needs and pattern of working.

Mr Dumbleton of Alcan added that the company was pleased with the way the fleet was now being operated, and was considering a similar change in the way it operates its fleet of fork lift trucks.

He said that in the past few months the two Alcan companies involved *had experienced* an unexpected surge in business, which could not have been *handled by the previous* transport facilities. "Fortunately, BRS has the flexibility to handle this kind of change in volume, and it has been handled with little difficulty."

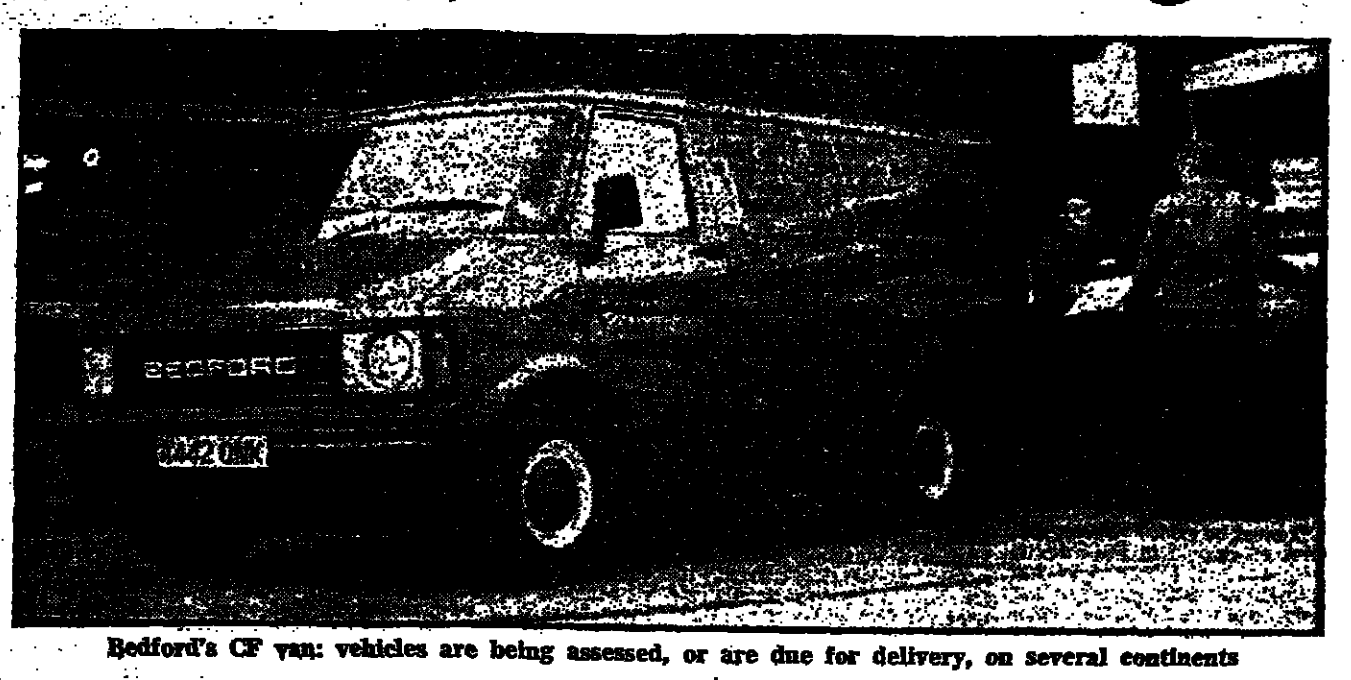
LORNE BARLING



Battery could be the breakthrough

Electric vehicles

JOHN GRIFFITHS



Bedford's CF van: vehicles are being assessed, or are due for delivery, on several continents

THIS YEAR may go down as a watershed in attempts to develop the electric vehicle as a rival to petrol or diesel light commercials.

Before the year-end Bedford, General Motors' UK commercial vehicles subsidiary; Lucas-Chloride EV Systems and Chloride Silent Power intend to put on the road the first prototype van to be fitted with a new type of battery. It uses sodium and sulphur as its coupling elements, rather than lead-acid.

If the vehicle works as hoped—and trials will be a lengthy business lasting at least two years—the three protagonists believe market resistance to "EVs" among cost-conscious light commercials operators could start to crumble.

Currently, the Bedford CF electric van and Freight Rover's electric Sherpa — the only two "traffic compatible" models in anything like commercial production anywhere in the world—can carry their one-ton payloads over a maximum 50-60 miles before needing recharging.

The new sodium-sulphur "Beta" battery, being developed by Chloride Silent Power, is expected to lift this maximum range to 150 miles with the same payload. Or, as just one alternative, carry nearly double existing payloads over at least 100 miles.

Even the existing vehicles have a top speed of 50 mph and have similar acceleration to a petrol or diesel van. But a "psychological" block is acknowledged to exist among commercial fleet operators against buying vehicles with a range of less than 100 miles.

As an interim step, another Chloride division, Chloride Motive Power, has developed a new generation of lead acid traction batteries, due for fitment in the CF within a year and expected to increase range to 60-70 miles on a single charge.

But particularly if the 100-mile barrier really can be broken, "we could be starting a whole new industry," according to Mr Ken Malnia, manager of Bedford's electric vehicles operations.

In the case of Bedford, what began as strictly a UK development has been taken up by its North American parent and it is in the US that the potentially most significant activities are now taking place.

These involve not only GM's world truck and bus division, based at Pontiac, Michigan, but the Electric Vehicle Development Corporation, an enterprise jointly funded by major utilities and, now, the US Department of Energy itself.

Bedford last September won a tender, put out world-wide by the US Department of Energy, to present an electric van project which might meet its operating criteria. The assessment phase ends in March, when a second stage will start under which a final specification vehicle will be built.

The project meshes in with two other contracts, one worth $8m, placed by the Department of Energy with Chloride Silent Power, the second—worth $10m—by the US Electric Power Research Institute, also with SCP. Both are aimed at further developing its sodium sulphur battery for standby power and off-peak electrical storage purposes.

A feature of the sodium sulphur battery is that both applications would be met by the same basic cell configuration—not much larger than a torch battery—which can be combined in thousands, or even millions, to produce formats suitable for both vehicle and non-vehicle applications.

But GM is, in fact, already selling the electric CF in the US under an exemption rule for low-volume vehicles and nearly 40 are already in use with various utilities.

These vehicles represent the vanguard of a four-stage GM plan to develop the EV market in North America. The plan is based on its projections that the usage patterns of up to 3.5m petrol and diesel light commercials makes them potential targets for a switch to more economical electric power.

The vehicles now in use there, on a trial basis, represent stage two of the plan. Stage three will start later this year, when the first of an expected 1,000 electric CFs will be delivered from Bedford's Luton plant to more utilities. This stage will last for two years and allow a service infrastructure to be built up. After that, says Mr Malnia, "the whole thing will be opened up to the market."

These plans were put in place with the awareness that the sodium-sulphur battery was making progress, but without dependence on it. The prospect that, according to Mr Malnia, the sodium-sulphur battery should be in commercial production in 1990, is seen as improving market prospects substantially.

Bedford's electric van production is already building up, albeit from a very small base. Just over 300 have been built since the launch in January 1984. But some 400 are being allocated to the UK domestic market alone for the next 12 months, to which must be added output for the US. Freight Rover, BL's vans subsidiary, is building 150-200 a year.

Additionally, the Bedford vehicles are nearing the end of trials with utilities in Hong Kong, and are being assessed, or are due for delivery, in Sweden, Japan, Denmark, Canada, China and Israel among other countries.

In the UK itself, the Post Office has a fleet of 80 electric vans—40 CFs and 40 Sherpas—on trial.

Yet Bedford so far has spent nothing on either advertising or promoting the vehicles, Mr Malnia points out. And on the basis of experience so far—and without taking the sodium sulphur battery into account—he says a forecast made by Bedford two years ago that the UK market alone could reach 4,000 vehicles a year in 1990 "looks not only possible, but highly probable."

Promotion of the vehicle to potential commercial customers will start soon. Talks are under way with the Electricity Council on a promotion strategy.

Yet the limited range hitherto has not been the only drawback of the EV to set against its advantages of long life, low maintenance and direct fuel costs, exemption from vehicle excise licences, low pollution and other benefits.

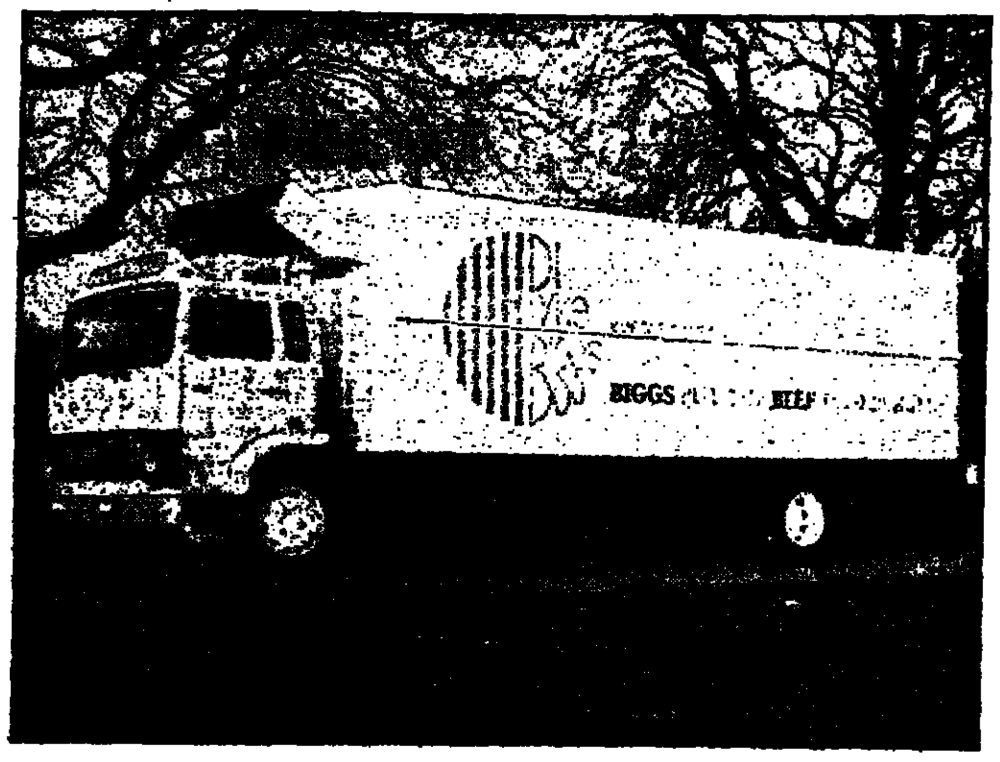
The electric CF is also on paper a much more expensive vehicle than its petrol or diesel equivalent, currently costing £10,280 including batteries and charger compared with about £6,000 for a conventional van.

The electric CF was launched with the contention that, if the whole-life costs of the vehicle were compared with its petrol or diesel equivalent, they were just about competitive. But the electric included a "market entry" subsidy from the Department of Trade and Industry worth about £4,000 per vehicle.

But as costs have begun to be spread over more vehicles, and even with the DTI subsidy already declining to only 40 per cent of the original level, the EV has opened up a cost advantage of 5p per mile over conventional vehicles measured over an eight-year life and 90,000 miles, or £4,500, according to Mr Malnia.

He says the costings take account of the fact that the electric model is likely to need a new battery pack—current cost £3,000—after four years.

At least as significant for market prospects, however, is the potential introduction of the sodium sulphur unit. Far from being more costly than lead-acid batteries, it could well be cheaper, Mr Malnia indicates, since its raw materials are in abundant supply and substantially cheaper than lead.



CASE STUDY: PYKE BIGGS

Burgers made travel-proof

PYKE BIGGS is a company which distributes a large number of its frozen beefburgers around the country in refrigerated vehicles, most of which cover large mileages. The great need is to avoid any risk of failure which could damage the load.

The company, based at Maidenhead, decided recently it could carry out this task more economically by using contract hire vehicles and it entered an agreement with Wincanton Vehicle Rental, the Somerset-based company which is part of Unigate.

The agreement contracted Wincanton to supply three new 16 ton refrigerated vehicles and one smaller one, all in Pyke Biggs livery.

Although the vehicles are driven by Pyke Biggs drivers, the rest of the work related to them remains in the hands of Wincanton, and this has proved to be a major saving, according to Mr Gerry Dickerson, Pyke Biggs managing director.

He says that introduction of the new vehicles has taken all the operational worries relating to transport away from the factory, which was a major improvement.

The vehicles travel to all parts of the country except for Scotland, where separate arrangements are made. They normally deliver bulk loads, of a minimum size of one pallet.

"We are billed monthly by Wincanton for the vehicles, on the basis of our estimated annual mileage they cover, and this is then adjusted later. The main thing is that it is virtually a fixed cost," Mr Dickerson says.

"From time to time we have had problems with the vehicles, but the main point here is that there has been a quick response from Wincanton."

Pyke Biggs does experience seasonal variations in its business, with demand picking up considerably during the summer months, and for this reason they need an additional vehicle on a short-term basis, which is supplied by Wincanton.

Servicing is a bigger job on refrigerated vehicles than on others, the company points out, since the refrigeration engine and compressor must also be maintained, and all this is handled by Wincanton.

Mr Leslie Morson, Wincanton's truck rental director, says the company has a network of 50 workshops around the country, with the work on Pyke Biggs's vehicles carried out at Brentford, Middlesex. Sometimes dealerships are used for servicing, often where a customer is some distance from a company workshop.

Almost everything except the driving of the vehicles is handled by Wincanton under a contract such as that with Pyke Briggs, he says. This includes all the legal work concerning the vehicles, such as MOT and licensing, and also maintenance, replacement of tyres, and repairs where necessary.

Companies could have any make of vehicle they required, but Mr Morrison said Wincanton would normally advise on the suitability of a particular vehicle for a job, and warn customers off certain makes if it regarded them as potentially troublesome or expensive to operate.

LORNE BARLING

Vehicle Fleet Management 16

Manufacturers have mixed feelings about fleet sales, as **Alan Bunting** reports

Buyers ready to pay for dependability

Latest commercials

ALAN BUNTING

THE FLEET business is regarded with mixed feelings by truck and van manufacturers. It implies volume sales, to keep the production lines rolling and the workforce employed, but on the other hand quantity sales bring unavoidable demands for heftier discounts and a consequent pressure on margins.

When an all-new range of commercial vehicles is launched, the marketing team invariably sets its sights first on owner-drivers and small family concerns running fewer than, say, 20 vehicles. Buyers in that category are often attracted by the sheer novelty value of a visibly new model.

Transport engineers in big fleets are usually more circumspect, preferring to see "someone else" as the guinea pig for the early teething troubles they have come from hard experience to expect.

A number of significant new arrivals have appeared on the UK truck and van market in the last year. They have yet to appear in major fleets but they are to be seen in slowly-growing numbers on the road, causing transport managers' and distribution directors' heads to turn.

Last autumn saw the introduction of two new ranges from Volvo, the Swedish company whose articulated tractor units have maintained their position as UK market leaders for nearly a decade. The launch of the FL7/FL10 up-to-38 tonne artic and Scottish-assembled rigid multi-wheeler models is therefore of great significance.

The big-selling F7 models are wholly replaced by the new FL7, while the existing high-cab F10, though still in the price list, is likely to become largely displaced by the new FL10.

Meanwhile, in the heavy four-wheeler (16 tons gross) sector, Volvo has dropped its F6 chassis in favour of the totally redesigned Belgian-built FL6 range, which for the first time in the UK takes Volvo into the middleweight (12 and 14 ton) sector.

By abruptly discontinuing its F6 and F7 models, Volvo risks suffering a lull in fleet sales until buyers are convinced that the replacement FL vehicles will live up to their predecessors' reputation on reliability and operating economy.

Even more of a gamble is indicated with the 12- and 14-tonners, in a weight bracket where Mercedes-Benz has similarly declared an interest for the first time, with the UK launch last November of its 1314 and 1317 chassis. The new Mercedes middleweights are effectively up-range extensions of the 809 and 814 trucks (7.38 tons gross) whose success in Britain has been a major surprise, in view of the vehicles' relatively heavy tare weight and high price.

There are signs that in a post-recession industrial climate, companies which have survived the commercial onslaught are prepared to pay more than hitherto for chassis whose price and unladen weight promise dependability and long life.

Until now, the 12/13/14 ton truck market has been practically the exclusive preserve of UK-based manufacturers, primarily Ford and Bedford, topped up by Leyland and Renault-Dodge. The importers have penetrated the legislation-governed 7.38 and 16 ton sectors quite successfully, but never the "no man's land" in between.

There are two main reasons. Middleweight truck operators are invariably own-account fleets—typically big manufacturing concerns, many of them image-conscious household name companies. The need to be seen to be patriotic has deterred them from buying foreign trucks.

At the same time, they have bought in volume—a 100 chassis here and 50 there—and consequently have asked for and obtained the sort of quantity discounts which the importers have not been prepared to entertain.

A less hidebound attitude on the part of truck buyers, in combination with the more ruthless marketing attitude now evident from all the importers, seems certain to crack the UK manufacturers' last weight sector bastion. The new 12/14-tonners from Mercedes and Volvo represent the head of the battering ram.

Reviewed

It must be said, however, that sales of chassis in the middle-weight class (above 7.38 but below 16 tons gross) has dropped appreciably, as a percentage of what is a relatively unchanged total UK market.

Many middleweight buyers have reviewed their transport requirements and found that 7.38 ton machines can be substituted on some routes, while elsewhere productive use can be made of 16-tonners.

Why are they bothering? Why is the market becoming increasingly polarised at those legislation threshold weights of 16, 7.38 and, for that matter, 3.44 tons?

There are several answers. The high volume of sales at those key weights has brought keen price competition between a larger number of market contenders. Only six makers compete for 13 ton sales; at 16 tons there are 14. Meanwhile better engineering has levelled out many of the operational differences across the weight spectrum.

Today's chassis built to the 7.38 ton limit (above which heavy goods vehicle driving licence requirements apply) are just as durable and reliable as their 12/14 ton stablemates. Other technical advances have made the maximum-weight four-wheeler, grossing 16 tons, a much more manageable vehicle. Improved steering, brakes and suspensions make current 16-tonners as easy to handle for urban delivery work as their lighter counterparts.

In the high volume market for vans and light commercials, able to carry loads between about 1 and 2 tons, where annual sales are currently running at about 120,000 units, by far the most notable newcomer on the market is Ford's second-generation Transit range.

Retention of the existing power-train componentry, including the company's successful 2.5 litre direct-injection diesel engine, and the largely unchanged chassis/floor structure, makes the latest Transit far from revolutionary.

But its all-new body and cab steelwork represent a major advance in light commercial vehicle design from the point of view of aerodynamics (critical for fuel economy, crew comfort and ergonomics). Much wider and more sensibly-shaped door openings are provided.

On van versions the much more vertical sidewalls and rear-end—achieved with styling finesse—have put up cubic load capacity by nearly 15 per cent and make the loadspace more usable.

On lighter short-wheelbase Transits, Ford has emulated its main UK rival, GM-Bedford, by adopting independent front suspension. The revised springing, along with new rack-and-pinion steering, has transformed the feel of the lighter Transits. They now handle more like cars.

Bedford competition for the Transit now includes the Japanese-designed Midi van introduced last year, as well as the now rather dated CF. The Midi is more compact, and as such more appealing to small traders, although its set-back front axle means more awkward access to and from the driving seat.

Volvo's new FL range which replaces models in the up to 38-tonne class.

Rental and lease commercial vehicles v total in use—1984

	Rental commercial vehicles	Lease commercial vehicles	Total rental and lease commercial vehicles	Total commercial vehicles in use '000s	Ratio rental and lease to total
Belgium	985	3,120	4,105	344	1:84
France	45,000	140,000	185,000	3,226	1:17
Holland	2,949	15,000	17,949	390	1:22
Israel	370	950	1,320	122	1:92
Italy	2,000	15,000	17,000	1,670	1:98
Portugal	260	50	310	341	1:1100
UK	40,500	121,000	161,500	1,697	1:10
Total	92,064	295,120	387,184	7,794	1:20

Source: European Car and Truck Rental Association

CASE STUDY: MARLEY

Competing at market rate

ONE WAY to ensure that an in-house transport operation is efficient, is to make it a limited company and allow market forces to ensure that it is providing transport for the company at a competitive price.

Marley, the building products company, has taken an innovative approach to transport, having formed Marley Vehicle Leasing out of its own internal vehicle management operation about 10 years ago.

This company initially ran the group's fleet of 2,000 cars. Now, however, this fleet has contracted to about 1,300, but overall Marley Leasing now has about 6,000 cars on lease to a wide range of companies.

This puts it among the larger leasing companies, and it is now looking into the prospects of going into commercial vehicle leasing, particularly at the lighter end of the market, where the potential for growth is believed to be.

Marley Transport has been formed around the parent company's concrete building product activities at Burton-on-Trent, and has a fleet of more than 100 heavy commercial vehicles. Plastic tiles and other products are handled by a separate transport division.

Mr Geoffrey Lampard, managing director of Marley Transport, says: "The way we operate it to agree a rate per ton for all products, depending on how difficult they are to load. We regard that as a market rate and compete on that basis."

Customers are then offered the choice of buying their goods, such as roof tiles or paving, at ex-works or delivered prices. At present, about 75 per cent of roof tiles are delivered and 25 per cent collected, indicating that Marley Transport is competitive.

Mr Lampard points out that the reasons for collecting are not always financial. "Sometimes there is a spare lorry which costs very little to do a job of this kind," he says.

The other policy which Marley Transport follows is one of keeping its own vehicles—which are both leased and owned—as busy as possible. Mr Lampard points out that the company faces great peaks and troughs of demand for its paving products, due to weather conditions.

The present time of the year is generally one of fairly low demand, owing to weather conditions, and Marley's own fleet is now sufficient and virtually stretched to full capacity.

When demand really picks up, subcontractors are used to fill the gap, regarded as the most efficient policy. There is very little difference between the eventual cost of vehicles which are leased or bought, the company believes. "I make a capital application to the board for the purchase of new vehicles, but we sometimes decide to lease some vehicles instead. A great deal depends on the level of interest rates," Mr Lampard says.

LORNE BARLING

Discounts fight

CONTINUED FROM PAGE 1

known market analysts, the entire fleet management, leasing and contract hire sector accounts for barely a quarter of business vehicles in the UK.

But Gelco and its main rival in the UK, PHH of Swindon, itself a subsidiary of the US's other principal leasing and fleet management concern, still see major potential for growth.

Some 70 per cent of all business vehicles in the US are now leased or managed, and neither company sees sufficient differences in the structure of the UK market to prevent it following a similar route—"It's just that the UK is running about 10 years behind the US, where it all started," Mr Foster observes.

There exists another area of potential growth, however, and one that is only just starting to be exploited. A recen report from the Audit Commission concluded that "considerable scope" exists for savings on fleet management by local authorities and elsewhere in the public sector.

Contract hire as an alternative to "essential user" allowances for public employees currently operating their own cars is coming under closer investigation among local authorities, as well as leasing schemes for municipal vehicles. So far, only a handful of companies, such as the Appleyard group and a Trimoco Leasing subsidiary, have begun to tap the market, but both see substantial potential.

Throughout the fleets sector, the near future is shaping up as one involving an ever greater complexity of decision-making.

This year, for example, will see the arrival of several important newcomers to the volume fleet sectors: the Peugeot 309, Peugeot Talbot's first major rival to Ford's Escort, Vauxhall's Cavalier and the Austin Maestro; Nissan's UK-assembled successor to the Stanza and, in the executive car sector, Austin Rover's powerful new rival to Ford's own new Granada/Scorpio, the 800 series cars developed jointly with *Honda*.

The degree to which the "non-British" badged cars find acceptance among the fleets is of major importance to the manufacturers; perhaps determining the future of Peugeot Talbot in the UK.

Another large question mark hangs over the burgeoning market for diesel cars. Some 75,000 were sold in the UK last year, and some forecasts suggest that *diesels* could account for 10 per cent of the total market by 1990. The diesel's advantages of at least 25 per cent greater fuel economy compared with an equivalent petrol-powered car, and potentially longer life, have become well-known.

Yet uncertainties about their true cost-effectiveness to the fleets persist. Mr Ron Johnson, director and general manager of Leaseline, believes that diesel cars have made great strides technologically and make sound sense in terms of direct operating costs for high-mileage fleets.

"But what concerns me is resale values. Certainly novelty value is now keeping residuals up. But what happens in three years' time, when the novelty's gone? And how acceptable will they be as used vehicles with 80,000-100,000 miles on them, compared with the lower typical mileages of petrol cars?"

It is questions like these which undoubtedly will give manufacturers and fleet operators pause for thought when they make their annual pilgrimage to the fleet motor show at Wembley next month.